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**THE INTERNATIONALIZATION OF FINNISH E-COMMERCE COMPANIES:
FACTORS AFFECTING SUCCESS**

Master's Thesis

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| Abstract <p>This thesis examines the phenomenon of the internationalization of Finnish companies operating in the e-commerce retail business and what are the factors that have had an effect on their success. The study aims to discover what kind of different factors are relevant and vital when an e-commerce company pursues for growth, profits and success in terms of its internationalization pursuits. Additionally, this thesis aims to solve whether there are theoretical perspectives or theories that could explain the internationalization pursuits of e-commerce companies. Furthermore, the study aims to investigate and discover how the Finnish e-commerce companies have succeeded in their internationalization pursuits with respect to financial growth and performance.</p> <p>The research was conducted as a qualitative study, utilizing the abductive research analysis method. The research was initiated with a literature review, where theoretical perspectives regarding the key concepts, e-commerce and internationalization, were examined. Furthermore, relevant internationalization theories have been researched, as well as factors that may have an influence on the internationalization success of e-commerce companies. The thesis was continued with an empirical research section, in which Finnish e-commerce companies were interviewed. The interview replies were analysed and reflected against the theoretical findings discovered from the literature review.</p> <p>The success factors discovered from the empirical research were found as encompassing and complementary with respect to the factors that emerged from the literature review. The most suitable theories to explain the internationalization pursuits of e-commerce companies with respect to the literature review were the born globals theory and the N-OLI paradigm. In terms of further analysis regarding the complementarity of the empirical research results with regards to the theories examined in the literature review, the outcome was considered as partly consistent. The research results with regards to the Finnish e-commerce companies' financial performance and growth in terms of internationalization, indicated that growth and success have been reached to some extent. However, further studies would be advisable to conduct to gain a more encompassing view.</p> <p>In light of theoretical and practical implications, the findings in terms of success factors can be seen as beneficial to Finnish e-commerce companies considering internationalization. The internationalization pursuits of Finnish e-commerce companies is a scarcely studied subject in Finland, which is why the research results can be seen as scientifically and theoretically contributing.</p> | | | |
| Keywords Finland, cross-border e-commerce, online shopping, internationalization theories | | | |
| Additional information | | | |

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1 INTRODUCTION

In the first subchapter of this thesis the topic of the research will be introduced to the reader. The topic introduction will be followed with presenting the research questions, as well as the objectives the research is aiming to find solutions to. In the third subchapter of the introductory chapter the structure of the overall thesis will be illustrated.

1.1 Introducing the research topic

Consumers of the 21st century choose to rely more and more on the vast opportunities and assistance of Internet to help them in their daily ways of life. According to Statistics Finland (2018), nearly 90 per cent of inhabitants aged between 16 and 89 applied the use of Internet. The list of examples in the use of it is wide: consumers continuously choose to acquire their everyday household products, clothes, technological gadgets as well as other commodities via online retail shopping platforms, conduct payments and communicate by using various social media software programs.

Consumers increasingly aim to utilize the vast possibilities of the above-mentioned shopping platforms which allow them to purchase and receive the items they need without even having to step out of one's home. In To, Liao and Lin's (2007; as cited in Huang & Yang, 2010, p. 673) study, the authors consider that simply the easiness of purchasing commodities, effortless access to different kind of information and the extensive variety of different kinds of products are some of the main reasons for shopping online. The key concept that can be linked with respect to the phenomenon illustrated above is *e-commerce* or *electronic commerce*. According to Adam (2009), e-commerce in its simplest definition can be considered as a type of business activity which occurs online when individual consumers purchase commodities by using the Internet-based services provided by retail business owners.

In terms of e-commerce, the markets in Finland have encountered both growth and drops over the past years. According to an Yle news article written by Mäntylä (2018), 59 per cent of purchases made by Finns in 2016 were from Finnish online retail stores and in 2017 the number declined to 54 per cent. According to the article, these numbers would suggest that the growth of e-commerce business is slowly taken over by large, foreign service providers and companies. This is corroborated as well by Lukkari (2019), as he refers to the reports and studies made by the Finnish Commerce Federation, which predicts that a significant number of Finnish retailers will diminish by 2030 due to the pressure caused by large multinational e-commerce enterprises. In addition, a study conducted by International Post Corporation (Talouselämä, 2019) revealed that Finnish consumers increasingly prefer to purchase commodities such as clothing and footwear from foreign online shopping platforms such as Wish, eBay, Zalando, Amazon, and the Chinese e-commerce website AliExpress.

The potential pressure caused by these large multinational e-commerce companies, in addition to the trends, demands and needs of consumers which continue to develop and change, may have an influence on the decisions of Finnish e-commerce business owners and entrepreneurs in terms of following and keeping up with the changes. Therefore, the changes in the market environment in Finland might begin to force some of the Finnish e-commerce entrepreneurs to search for alternative opportunities, markets and customers. Consequently, focusing their sights and business across domestic borders is starting to become a viable option. This phenomenon is referred to as *internationalization*, which according to Ahokangas (1998, as cited in Ahokangas & Pihkala, 2002, p. 62) is “a process in which companies move, assemble and develop resources for their international operations and activities”.

Due to the above-mentioned statements and notions, there is a need to study the internationalization pursuits and success factors of Finnish e-commerce entrepreneurs who have decided to search for business opportunities outside of Finland. Thus, the reasoning, as well as the combination of the two phenomena described above, *e-commerce* and *internationalization*, form the foundation for the main research

problem, which is to study the internationalization pursuits of Finnish e-commerce companies and the factors that have had an effect on whether they have succeeded or not.

1.2 Research questions and objectives

In order to generate a more transparent and profound understanding of the combined phenomenon described above, and while it has not been a subject of thorough, theoretical study in Finland, it became to seem necessary to conduct a research that would serve as a contribution to the scientific research in relation to the phenomenon. In addition, this thesis could be of benefit to the Finnish e-commerce companies considering internationalization.

The purpose of this research is to study the phenomenon of the internationalization of Finnish companies operating in the e-commerce retail business and what are the factors that have had an effect on their success. In light of this, the study aims to discover what kind of different factors are relevant and vital when an e-commerce company is pursuing for growth, profits and success during its internationalization process in terms of business operations and activities, as well as entrepreneurial capabilities. Therefore, the main research question M1 generates as following:

M1: What kind of factors an e-commerce company needs to consider in order to internationalize successfully?

In order to support the prospective results regarding the main research question, gaining an understanding of the internationalization pursuits of e-commerce companies is needed as well. Therefore, a study needs to be conducted in terms of whether there are theories that could be plausible to explain the internationalization pursuits of Finnish e-commerce companies from theoretical perspectives. Thus, the first sub-research question S1 is generated as following:

S1: What are the theories that could be plausible to explain the internationalization pursuits of e-commerce companies?

Following the research concerning the success factors and prospective theories in terms of explaining the internationalization success of Finnish e-commerce companies, their growth and financial performance will be measured as well. Therefore, a second sub-research question S2 is generated as following:

S2: How have the Finnish companies operating in the e-commerce retail business succeeded in their internationalization pursuits?

1.3 Structure of the research

In the beginning of this thesis is the introduction, where the topic of the research and the main research problem are introduced. The second subchapter presents the research questions and objectives, while in the third subchapter the structure of the research is illustrated.

The second chapter focuses on introducing the first key concept, e-commerce. In the chapter the central definitions and theoretical perspectives regarding the concept will be analysed. Furthermore, the current state of e-commerce and related statistics both in the Finnish and global markets will be reviewed.

The third main chapter centres firstly around the concept and definitions of internationalization. In addition, certain operation modes with regards to internationalization will be assessed and explained. The chapter will continue by critically examining certain major internationalization theories, as well as theoretical perspectives in which the focus has been on formulating suitable theoretical frameworks in the pursuit of combining internationalization and e-commerce. This will be conducted by researching relevant theoretical literature and studies where the two concepts have been jointly discussed and analysed.

The fourth chapter of the thesis pursues to generate an encompassing overview on what kind of different factors can be apparent and may have an effect on the success with regards to the internationalization pursuits of an e-commerce company. This will be conducted by examining and analysing research literature with regards to the internationalization pursuits of both e-commerce companies, as well as traditional companies.

In the fifth chapter the methodology of the research is presented and discussed, as well as the relevant research-related literature that might be of assistance when conducting the research and how to successfully gain results and provide a sufficient analysis regarding the topic objectives. The thesis will be continued with the sixth chapter, which focuses on analysing and interpreting the data received from the conducted empirical research.

The seventh chapter of the thesis will provide the final discussions and conclusions with respect to the overall research, as well as justifications for the analysis results, the research questions and objectives. In addition, the seventh chapter provides the reliability and validity with respect to the study, the theoretical and practical contributions, limitations, as well as prospective research considerations for the future.

2 E-COMMERCE

In this chapter the first key concept, *e-commerce* is going to be researched and critically assessed and analysed. The purpose of studying the concept is to provide a comprehensive, theoretical baseline for the empirical results of the study. In addition, the state of e-commerce in Finland and relevant statistics will be studied and evaluated. Furthermore, the third subchapter focuses on reviewing the development of the global e-commerce growth, as well as its current global status, statistics and forecasts for the future.

2.1 Central definitions of e-commerce

E-commerce, also referred to as electronic commerce or online shopping, has received several, although somewhat similar definitions and explanations over time. The history of the concept, however, dates back to the year 1979 in the United Kingdom, when Michael Aldrich with his colleagues discovered and developed a technology utilizing a domestic television and a telephone line that would work as the predecessor for ordering commodities online. In his article, Aldrich (2011) explained how their discovery functioned. The system utilized the technology of a modified, domestic television and a telephone line which were connected to “a real-time multiuser transaction processing computer”. At first, the system was only available for B2B-companies operating in different industries. In 1984, the technology became available to the consumers as well and it allowed them to buy commodities such as groceries for instance. In the late 1990s, the technology started to spread out commercially for business-to-consumer-use, and soon after, the phenomenon received the now-generalized terms such as e-commerce, electronic commerce and online shopping.

The above-mentioned terms however, generally mean the same. Therefore, further on in this thesis electronic commerce will be referred to as e-commerce, as the latter is merely an acronym of the former and online shopping principally is a conventional synonym for both terms. One of the earliest perceptions or clarifications regarding e-

commerce is presented by Harrington and Reed (1995, p. 193), as they explain it to mean “the exchange of information, goods, services, and payments by electronic means”, including two primary domains, business-to-business (B2B) and business-to-consumer (B2C). Another explanation for e-commerce is provided by ICSC Dictionary of Shopping Center Terms (2005), as they construe it to depict “the practice of selling goods or services over the Internet or World Wide Web; also refers to conducting business online (this can include customer service functions, sales, marketing, PR, advertising, and more)”. Furthermore, Bloomsbury Business Library (2007) defines e-commerce as “the flow of information through planning, design, manufacture, sales, order processing, distribution, and quality in an e-business”. In addition to all of the explanations above, Fichter (2003; as cited in Išoraitė & Miniutienė, 2018) also notes that video conferencing, teleworking, as well as other business processes and commercial activities can be included under the concept of e-commerce.

The conclusion that can be derived from the definitions described above, is that e-commerce is about conducting business online between different parties, such as business-to-business, business-to-customer as well as between private consumers. In addition to B2B and B2C, Misevičiūtė (2001; as cited in Išoraitė & Miniutienė, 2018) argues that there are several other elements regarding the varied use and utilization of e-commerce. According to his perception, there is also B2G which represents private companies’ co-operation and business with governmental agencies and other state-owned entities, G2G standing for public authorities-public institution co-operation, G2C as in governmental entities co-operating with consumers and individuals, and C2C, which represents the online shopping activities conducted between individual consumers and households.

Another perspective with regards to e-commerce is that it can also be considered as conducting business in a digital environment. This can be derived from the concept of digitalization, which according to Gartner (2020), refers to “the use of digital technologies to change a business model and provide new revenue and value-

producing opportunities; it is the process of moving to a digital business”. Itkonen (2015) perceives that there is not any specific definition for the term, but it can traditionally be understood as the “storing, transferring and processing” of information, when computerized functions are in question. He also adds that the term refers to “the economic and societal transformation process, which is a consequence of the development of information and communication technologies” (Itkonen, 2015). The impacts of digitalization on different business components and activities of e-commerce companies are varied but the implementation of digitalized procedures and processes can provide a number of benefits, if utilized properly. A study conducted by McKinsey Institute (2014; as cited in Ilcus, 2018) lists numerous benefits that can be a consequence of digitalization. The study reveals that digitalization can actually improve business processes in terms of efficiency, quality and consistency, development of accessibility and sharing of knowledge becomes more effortless, and it is easier for the company to reach the customers and gain better customer satisfaction while also reducing costs. According to Dominic (2019) as well, digitalization has impacted the e-commerce industry in several ways and provides multiple benefits. Through digitalization and the technological possibilities it brings, e-commerce companies are able to provide value to the customers by developing their services, such as improved and varied online payment options, directed marketing, personalized products and services. In addition, digitalization has allowed them to enter previously unreachable markets, and therefore gain new customers, as well as develop their inventory management systems, logistics and infrastructure.

2.2 E-commerce in Finland

Finland is well-known for its technological knowledge and know-how when the Information and Communication Technology (ICT) sector is concerned (Itkonen, 2015). The Finnish ICT sector has experienced a steady growth in the last decade. As it turns out, according to Export.gov (2019), the Finnish ICT sector’s employment rate in 2017 reached the significant rate of 6,8 per cent, also being the highest in the whole European Union at the time. The turnover rate was reported to be 14 billion dollars,

with an increase of 8 per cent since the previous year. Finland also assumed the highest rank when it came to mobile data usage per capita, as well as the rank of being the second highest in mobile broadband penetration rate. The average usage of a broadband connection in the European Union in 2017 was slightly above 80 per cent, while in Finland the figure was higher by nearly 15 percentage points. The difference was noted as well when comparing mobile broadband connection usage, as in Finland the figure was 89 per cent, whereas in the European Union only 42 per cent applied the use of broadband connection in mobile devices. On top of these figures, Finland showed significant promise and growth in the fields of software and hardware development, gaming, as well as telecommunication.

The development of ICT and digitalization, and their significance in Finland during the recent years is highly notable and can be considered in relation of the growth and development of e-commerce as well. According to a report written by Saari (2018) and studies conducted by Paytrail (2017; 2018), the Finnish e-commerce field has shown significant growth since the year 2014. The reports covered figures and sectors such as turnover and the average purchase rate, categories in which most purchases were made, which payment method was used mostly, and what kind of devices were utilized the most when purchases were made. According to the studies by Paytrail (2017; 2018), the turnover rate reached the overwhelming figure of 8,5 billion Euros in 2017, consisting of the following categories: Services (1,7 B €), Travel (4 B €) and Goods (2,8 B €). However, in 2018 Paytrail published a more updated study as well, which noted the overall turnover of 2017 being even larger, approximately 10,4 billion dollars.

Regardless, the numbers suggest that Finnish consumers preferably choose to book their accommodation and method of transportation online. In addition, Finns are also increasingly in favor of purchasing all of their everyday goods, such as clothing, food, electronics and even medication by using the Internet-based shopping platforms. According to the study by Paytrail (2017), the increase in terms of purchasing food items and groceries online was recognized, as it entailed approximately 7 per cent of

the whole turnover. Also, in addition to the above-mentioned categories, services such as video-streaming (27 %), music (17 %) as well as magazines and newspaper subscriptions showed an increase in usage when consumers aged between 15 and 74 years were in question.

Table 1. The average purchase rate 2014-2017 (adapted from Saari, 2018).

| Year | The average purchase rate |
|------|---------------------------|
| 2014 | 73.07 € |
| 2015 | 73.32 € |
| 2016 | 80.05 € |
| 2017 | 84.17 € |

The average purchase rate, as shown in the table above (Table 1), has grown steadily since the year 2014. Compared to 2016, the increase in 2017 was quite significant as well. (Saari, 2018.) According to eComGrowth (2018), this could be explained by Black Friday, which spread into Europe and Finland from the United States, and which was adopted and utilized by Finnish e-commerce entrepreneurs.

Table 2. The most commonly used payment methods 2014-2017 (adapted from Saari, 2018).

| Year | Bank transfer | Credit card | Invoice |
|------|---------------|-------------|---------|
| 2014 | 91.5 % | 7.3 % | 1.2 % |
| 2015 | 90.9 % | 8.2 % | 0.9 % |
| 2016 | 89.86 % | 8.74 % | 1.4 % |
| 2017 | 89.35 % | 9.11 % | 1.54 % |

As depicted in the table above (Table 2), according to Saari (2018), the use of bank transfers as a payment method has slowly begun to decrease since 2014, even though still being the mostly used method. On the contrary, the popularity of using credit cards and invoices have started to increase, although with a slight dip during the year 2015 concerning the latter. However, this change between payment methods accentuated further in 2018. As it turns out, Paytrail (2018) noted that there is in fact a difference in terms of what is the most used payment method and what is the most preferred payment method. Evidently, when shopping online, 70 per cent of Finnish consumers

used bank transfers, 59 per cent chose the credit card, and 37 per cent used invoices as a payment method. However, these figures changed when consumers were asked which of the payment methods they actually would have preferred, but did not (get to) use: 39 per cent chose bank transfers, 25 per cent preferred credit cards (which they also considered to be the safest method) and 16 per cent would have wanted to choose invoices. The figures were somewhat similar in 2019: the use of bank transfers decreased from 70 to 68 per cent, credit card use increased to 61 per cent, while invoice use took a slight dip to 36 per cent (Paytrail, 2019). In addition, a significant change was also noted in the use of Mobilepay¹, which rose from 4 per cent to 8 per cent (Paytrail, 2018; 2019).

Saari (2018) also pointed out in the table below (Table 3) how different devices were used when shopping online. Consumers applied the use of mobile devices increasingly when purchases were made, compared to the previous years. The usage of desktop and tablet devices has, by contrast, decreased.

Table 3. The most commonly used devices when shopping online 2014-2017 (adapted from Saari, 2018).

| Year | Desktop | Tablet | Mobile |
|------|---------|--------|---------|
| 2014 | 86.84 % | 8 % | 5.16 % |
| 2015 | 81.86 % | 8.81 % | 9.33 % |
| 2016 | 72.66 % | 8.96 % | 18.38 % |
| 2017 | 65.59 % | 8.07 % | 26.34 % |

Compared to the previously measured turnover (10,4 B€) of 2017, Paytrail's (2018) report reveals that the turnover increased to 12,2 billion euros, which represents a growth of 18 per cent. As in 2017, the tourism services segment still held the number one status in terms of spent financial resources, 5,7 billion euros, followed by goods

¹ MobilePay: an application of Danske Bank for mobile devices to conduct monetary transactions, such as transferring of funds between individuals or purchasing of groceries (Danske Bank, 2020).

(4,4 B€) and other services, including for instance concert tickets, digital media, games, parking or insurance (2,1 B€).

Since 2017, all of these figures gained an increase and this growth was expected to continue in 2019 as well. In its report of 2019, Paytrail (2019) was going to evaluate the same segments and expect an increase in every one of them. Paytrail estimated that the whole turnover would grow up to 13,8 billion euros, representing an increase of 11 per cent more than in 2018, with tourism still being the largest segment, commodities second and other services being third. The latter was also expected to gain the most growth.

The figures published and described in the reports reveal that consumers increasingly choose to buy their commodities and services online. As it turns out, Paytrail (2019) points out that one of the most common reasons for the growing popularity of using online shopping services is simply the time-saving aspect of it as it provides the consumers the possibility to have the time to attend other activities as well. The online shops are also always “open”, which allows the consumers to purchase their commodities at any time of day. In addition, the availability of services and goods is an important factor as the consumers have a wide array of online providers to choose from.

2.3 Global perspectives and statistics

Since Michael Aldrich discovered how a television and a telephone line could be utilized to order commodities online in 1979, and after the invention of the *World wide web* in 1991 (E-commerce Nation, 2016), e-commerce has developed into a phenomenon that has seen significant growth worldwide. In his article, Mahoney (2001) referred to a report conducted by eMarketer, which predicted that during the year 2001, the growth of global e-commerce would reach an overwhelming figure of 550 billion dollars in revenue, thus doubling up from the previous year of 2000. At the time North America held the leading market area status, but in the coming years

Europe and Asia were predicted to increase their shares of the global e-commerce market (Mahoney, 2001). Since then the number of companies operating in the e-commerce retail industry has increased significantly worldwide, thus increasing the global e-commerce figures in terms of sales and revenues. Also, consumers buy commodities continuously not only within their domestic market, but across borders as well. In fact, there are approximately 7,7 billion people in the world, and an estimation has been calculated, that circa 2 billion of them conducted purchases via online retail services (Law, 2019).

Table 4. The global retail e-commerce sales and total retail sales in trillions US \$ (Adapted from eMarketer.com; as cited in Lipsman, 2019).

| Year | Retail e-commerce sales | Total retail sales |
|------|-------------------------|--------------------|
| 2017 | 2.382 | 22.974 |
| 2018 | 2.928 | 23.956 |
| 2019 | 3.535* | 25.032* |
| 2020 | 4.206* | 26.074* |
| 2021 | 4.927* | 27.243* |
| 2022 | 5.695* | 28.472* |
| 2023 | 6.542* | 29.763* |

*=estimated.

As seen above (Table 4), Lipsman (2019) referred to the statistics and figures of worldwide e-commerce sales composed by eMarketer.com. The report clarifies how the sales, both retail e-commerce, as well as total retail sales have grown in the past years. The report also shows how the e-commerce sales are estimated to increase, thus narrowing the gap with respect to the total retail sales.

Similar figures were provided also in an article of Digital Commerce 360 written by Young (2019), where it was stated that in 2019, global e-commerce sales would reach up to nearly 3,5 trillion in US dollars, while the whole amount of sales in terms of global retail overall would add up to 21 trillion US dollars.

Table 5. The global retail e-commerce sales in billions US \$ by country in 2018 and 2019 (Adapted from eMarketer.com; as cited in Lipsman, 2019).

| Country | 2018 | 2019 | Change in % |
|-------------|----------|----------|-------------|
| China | 1,520.10 | 1,934.78 | 27.3 |
| USA | 514.84 | 586.92 | 14.0 |
| UK | 127.98 | 141.93 | 10.9 |
| Japan | 110.96 | 115.40 | 4.0 |
| South Korea | 87.60 | 103.48 | 18.1 |
| Germany | 75.93 | 81.85 | 7.8 |
| France | 62.27 | 69.43 | 11.5 |
| Canada | 41.12 | 49.80 | 21.1 |
| India | 34.91 | 46.05 | 31.9 |
| Russia | 22.68 | 26.92 | 18.7 |

In different countries and market areas the retail e-commerce sales have increased significantly as well. As the figures composed by Lipsman (2019) illustrate (Table 5), the largest country in terms of e-commerce sales in 2018 and 2019 was China, with the USA being well behind. During the year the sales in China grew significantly, although the fastest growth was witnessed in India. Statista (2020) concurred as well with the notion that in 2019, China held (and will continue to hold) the number one spot in terms of global e-commerce, with the USA market area being the second largest, and Europe the third.

When focusing on Europe, and especially on the Nordic countries, e-commerce has continued its growth as well. During the year 2019 the average rate of growth situated between 11 and 14 per cent in Norway, Sweden, Denmark and Finland. The compiled average amount of sales generated through e-commerce between these countries was anticipated to reach approximately 80 billion euros. Sweden held the first position with 30 billion euros, Denmark being the second with 19 billion, Norway was slightly behind with 17 billion euros and Finland was expected to gain a figure of nearly 14 billion euros by the end of 2019. (Paytrail 2019.)

However, a reliable or even remotely accurate number of e-commerce companies conducting business worldwide proves to be challenging to determine, as several websites provide different and contradictory information. Regardless, on a global scale the number of companies and organizations that generate all or majority of their sales

and revenue through e-commerce, has grown significantly. In this sense however, “majority” is emphasized due to the fact that some of the largest e-commerce enterprises operate in the brick and mortar-business as well. Several websites and statistic-compiling organizations provide their own perspectives and figures in terms of what are the largest e-commerce enterprises globally. The methods of determining which of them are largest, differ though, as figures are measured for instance by sales, revenue or number of user visits per website. However, despite the different measurement systems, the charts or lists that have compiled the largest e-commerce companies worldwide, generally include the same companies as well. Different sources such as Pajović (2019), 21 Twelve Interactive (2019), Hasan (2019) and Angelovska (2019), have written articles in which they present the largest e-commerce companies in the world. According to all of the sources, Amazon was indisputably considered as the number one on a global scale. The companies that constantly battle for the second place are considered to be the US-based eBay and the companies that dominate the Chinese markets, Alibaba and Jingdong (JD.com). Other significant companies that are often considered to be in the top 10 are Walmart, the Japanese e-commerce enterprise Rakuten, Shopify and the Europe-based companies such as Zalando and Otto.

As described above, different parties, actors and websites have published reports regarding worldwide e-commerce figures for instance in terms of sales, revenue, market areas, visits per website and consumers’ buying habits. Even though the figures, measurement policies and variables in the reports differ from each other, the outcome is still concordant; the e-commerce retail industry has grown significantly and continues with the global growth. In light of this statement, the prospective theories that may explain, as well as the factors that may have an effect on the plausible growth and success of internationalized e-commerce companies, will be assessed and discussed in the upcoming chapters.

3 INTERNATIONALIZATION AND E-COMMERCE

As outlined in the introductory chapter, this chapter attempts to formulate an encompassing theoretical overview in which the two essential key concepts, internationalization and e-commerce are combined and researched jointly. This will be conducted by assessing certain major internationalization theories and their suitability and potential on explaining the combined phenomenon of internationalization and e-commerce. However, in order to provide a comprehensive theoretical baseline for the subchapter in which the theories are discussed, the first subchapter will briefly introduce the concept of internationalization and related definitions. In addition, the second subchapter will present certain operation modes that are often considered with respect to internationalization.

3.1 Central definitions of internationalization

Over the years the concept of internationalization has been erroneously confused with globalization, although they do not mean the same. Globalization is considered as the end result of conducting business across national borders while internationalization is considered to provide the tools, practices and methods to reach those results. (Daly, 1999; uGlobally, 2019.) The concept of internationalization itself, however, has gained multiple different and colorful definitions as well. Several scholars provide their statements and perspectives with regards to how they see internationalization. Therefore, some of these statements or quotes are presented below:

“Internationalization is a process, which signifies increasing participation in international operations” (Welch & Luostarinen, 1998, as cited in Ahokangas & Pihkala, 2002, p. 62).

“Internationalization refers to a firm’s choice to extend its sales or manufacturing to new markets abroad” (Welch & Luostarinen, 1988, as cited in Molina, 2004, p. 1).

“Internationalization is a process, where the companies’ awareness regarding the prospective direct and indirect impacts of international operations increases, and they launch and conduct businesses as the participants are located in different countries” (Beamish, 1990, as cited in Ahokangas & Pihkala, 2002, p. 62).

“Internationalization is a process, where business relationships are developed with other countries by expanding into new networks, penetrating deeper into the networks or integrating the networks with each other” (Johanson & Mattsson, 1988, as cited in Ahokangas & Pihkala, 2002, p. 62).

“...internationalization of the firms is a process in which the firms gradually increase their international involvement” (Johanson & Vahlne, 1977, p. 23).

“Internationalization could be defined as a company’s involvement in international business which includes all business transactions that involve two or more countries. Internationalization is an alternative way of growth for companies and it is a more important growth strategy in the companies with small domestic markets than in the companies with large home markets” (Luostarinen, 1979; Daniels & Radebaugh, 1986; as cited in Pietikäinen & Tynnilä, 1994, p. 18).

As it turns out, the definitions concerning internationalization as a concept are varied. Also, with regards to the quotes and statements illustrated above, words such as *process* and *network* can be highlighted when internationalization is concerned. In terms of e-commerce companies, their internationalization pursuits and processes, it is not however clear yet whether any of the definitions above would be plausible to explain them. Therefore, due to the multifaceted nature of internationalization as a concept, as well as in terms of e-commerce companies’ internationalization, the above-mentioned quotes and perspectives can be better understood by studying further certain operation modes and theories in relation to internationalization.

3.2 Operation modes in the context of internationalization

An organization considering internationalizing all of its operational activities or only a proportion of them, generally has a varied assortment of operation modes to choose from. However, the organization's strategy may place certain limitations or constraints, while also the motives and reasons as to why the organization or company has chosen on the decision to internationalize, may function as a directive on choosing the suitable operation mode. There are several different operation modes and they are traditionally classified into three major foreign operation method options. Welch, Benito and Petersen (2018, p. 4) introduce these operation methods as "Contractual modes", "Exporting" and "Investment modes". Contractual modes-category includes franchising, licensing, management contracts, outsourcing, project operations and alliances. The second category of foreign operation method options is exporting, which is commonly divided into indirect exporting, direct exporting, and own sales office/subsidiary exporting. The third category entails different modes of investments when pursuing entering foreign markets. These are commonly labelled under the same concept, FDIs, which refers to "foreign direct investments".

Ahokangas and Pihkala (2002, p. 59), as well as Welch et al. (2018, p. 383) argue that a company may operate in many different market areas, which is why a certain operation mode may not apply to all of them. Consequently, a company needs to assume the necessary preparedness to be able to adjust or combine its operation modes that would be suitable to its planned internationalization strategies that are directed to each target area. Also, occasionally an operation mode that was once suitable may later prove unconventional or unsuitable and thus forces the company to assess and utilize another form of operation mode.

Therefore, if there is such a case that a traditional company has only utilized some or one of the operation methods described earlier in the chapter, or a certain operation method is not plausible for the company anymore and thus aims to pursue for more growth, profits or penetration into new market areas, it can also consider utilizing the

digital possibilities with respect to international business. Consequently, as illustrated below (Figure 1), Ahokangas and Pihkala (2002, pp. 56–57) introduce the option of utilizing the benefits and advantages of internet in international business operations. As an operation method, it can be harnessed and utilized side by side with the traditional operation methods to bring more growth and profits.

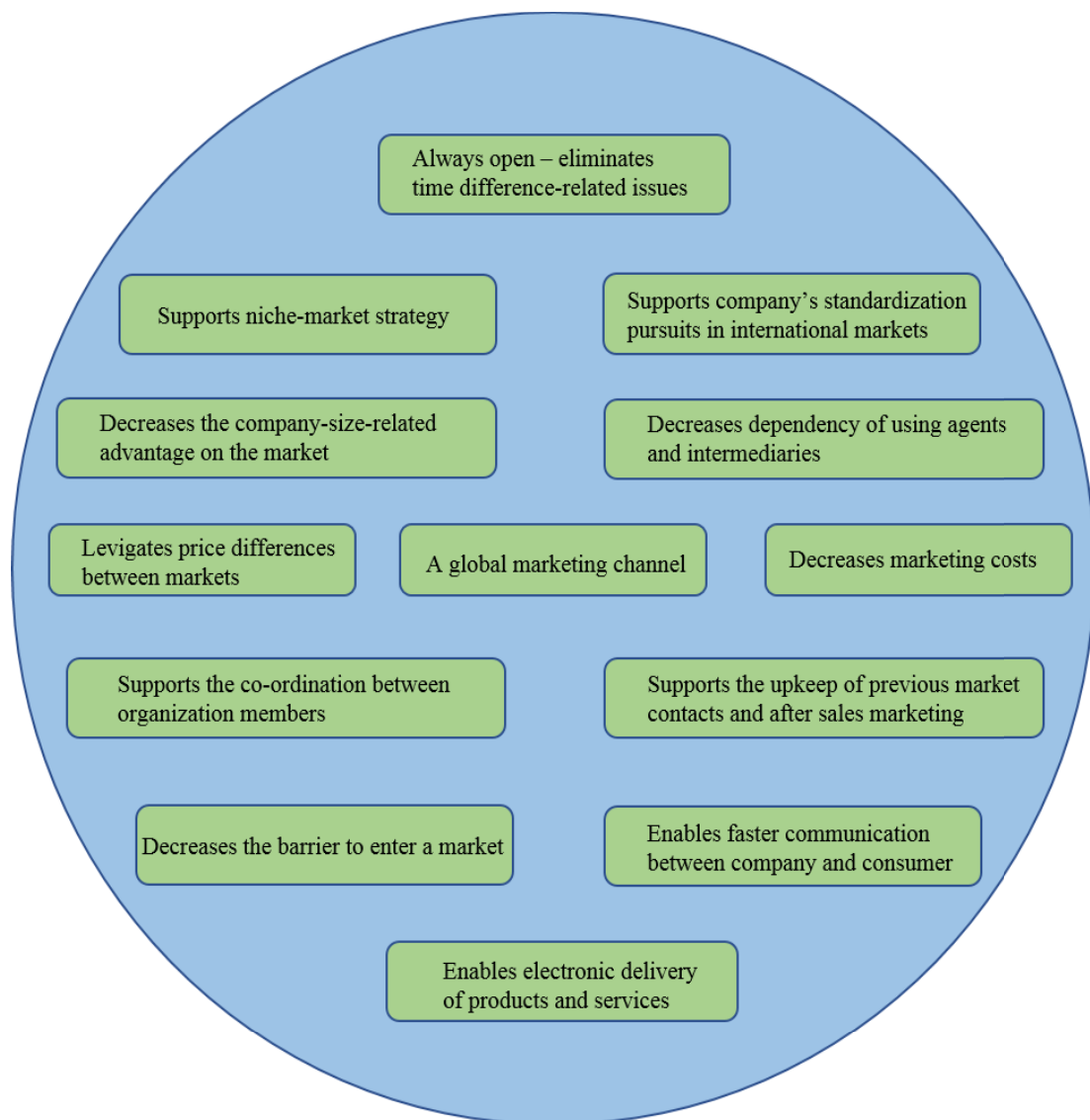


Figure 1. The benefits of internet in internationalization (Adapted from Ahokangas & Pihkala, 2002, p. 57).

3.3 Theories combining internationalization and e-commerce

In the previous chapters the basic definitions and related theoretical perspectives concerning the concepts of e-commerce and internationalization were studied and clarified. In the following chapter, these concepts and the related theories are studied and discussed jointly with the attempt to discover whether or not there is a suitable theory or theories to explain the internationalization pursuits of e-commerce companies. There is, however, a shortage of capable research conducted that could have been formulated into viable theories that could prove capable and sufficient to clarify the internationalization pursuits of e-commerce companies from a theoretical perspective. Grochal-Brejda and Szymura-Tyc (2018) agree with this notion as they confirm as well that a very limited amount of research has been conducted in relation to the internationalization pursuits of e-commerce companies.

Therefore, certain major theories that are commonly utilized to explain how traditional companies internationalize have been chosen to be further assessed with the attempt to discover, whether any of them is suitable to explain the combined phenomenon of e-commerce and internationalization. The theories that were chosen are the network approach by Johanson and Vahlne (1990; 2003) and Johanson and Mattsson (1993), the resource-based view which was originally presented by Wernerfelt (1984), Dunning's eclectic paradigm (2001) and the Born global phenomenon (Rennie, 1993; Knight & Cavusgil, 2004). Furthermore, an additional theory that has been connected to the internationalization pursuits of e-commerce companies is the N-OLI paradigm (Singh & Kundu, 2002), which will be assessed as well.

The first theory to be assessed and that is commonly associated with internationalization is the network approach. The theory originates to the later development of the Uppsala model, as Johanson and Vahlne (1990) chose to continue to discover additional perspectives in relation to the internationalization processes of companies. According to their view, the network approach means integrating and developing business relationships with new companies or stakeholders, rather than

those that a company is already in co-operation with. In a more recent study, Johanson and Vahlne (2003, p. 92) describe business networks as “sets of international business relationships, in which each exchange relation is between business firms conceptualized as collective actors.” Also, in relation to this and somewhat similarly, Chetty and Holm (2000) consider business networks as groups that include “two or more companies connected by relationships, where the relations happen via commercial companies and they are contextualized by collective actors”. These actors traditionally connect to each other via direct and indirect relationships and are often different kinds of representatives of the market, such as competitors, consumers, other stakeholders and government entities. The approach is also considered as an “interactive process between the company’s competitive advantages and those which belong to the other members of the network in which the company is inserted, and also between the sum of these advantages and the localization advantages of the countries” (Björkman & Forsgren, 2000).

Johanson and Mattsson (1993) also present their perspective of the network approach. According to their view, a company develops its relationships in a network through gradual learning and pursues to co-operate with several actors within a market. This can be examined either from a micro perspective or macro perspective. A company’s place in a network can be examined from a micro perspective, which means that it connects and co-operates with other companies, including competitors as well. A wider scale is considered when the macro perspective is in question, as it examines the company’s relationship with regards to the whole network. In terms of internationalization, the model describes that a company usually begins by networking domestically, continuing onwards to develop its relationships abroad in another market, and thus expanding these networks.

However, the network approach is very scarcely referred to when theoretical research and studies concerning e-commerce companies’ internationalization pursuits are concerned. Therefore, due to the lack of theoretical and scientific research, and proof for that matter, which concern the connection of the network approach and e-

commerce internationalization, it can only be speculated by assessing the network approach in a flexible manner. Based on the perspectives introduced above, it could be argued that the theory could potentially be applied when considering the internationalization pursuits of e-commerce companies. These companies do rely on their relationships with suppliers, distribution agents and organizations, but the critical observation must also be made from the perspective of what is the maturity level of the internationalization of an e-commerce company and what is or are the market(s) it chooses to enter. A more mature company may be complicit and be able to develop the relationships in a network, but a starting company may lack the support of a network.

The next theory, the resource-based view or perspective, commonly also referred to as RBV, is often associated with internationalization and stems from the early theories created within the field of strategic management research (Matlay, Ruzzier, Hisrich & Antoncic, 2006). The RBV theory is also commonly associated with competitive advantage, a concept originally developed by Wernerfelt in 1984 (Fahy, 2000; Wernerfelt, 1984). From a resource-based perspective, companies pursue to gain their competitive advantage within a market (or markets) by developing and utilizing their different kinds of resources, both tangible and intangible, which are also mostly unique and differ from those of other competitors. Furthermore, companies constantly aim to further develop both their internal and external abilities or capabilities to develop more resources. (Conner, 1991; Montgomery & Wernerfelt, 1997; Ahokangas, 1998; Matlay et al., 2006.) In light of this, Ahokangas (1998) presents his perspective with respect to a company's key resources and how they can be developed or adjusted within the company or with its stakeholders. According to Ahokangas, the resource-based theory and the network perspective can be utilized jointly. As it turns out, there are two dimensions of which the first one analyses whether the source of the resources can be considered internal or external, and the second considers if the resources are developed within the company or in co-operation with other stakeholders. These dimensions are followed by assumptions that resources are adjusted in four different ways, of which the first one, "internal resources in a firm-oriented mode" implies that a company

chooses to rely only on its internal resources when considering internationalization. The second, “external resources in a firm-oriented mode” is related to the first one, as a company chooses to utilize the benefits of external resources, such as co-operative activities and relationships when developing the internal resources of the company. The third, as well as the fourth mode both relate to the network-perspective. According to the third mode, “internal resources in a network-oriented mode”, companies share a mutual interest in developing different resources, regardless of the field. Lastly, the fourth mode is described as the “external resources in network-oriented mode”. This mode emphasizes the network perspective as it encourages the development of resources with another company, as well as allowing the utilization of them with it, for instance through a merger.

The main point in the theory, according to Conner (1991), Montgomery and Wernerfelt (1997), Ahokangas (1998) and Matlay et al. (2006) is that companies pursue to develop their tangible and intangible resources, as well as internal and external capabilities to produce competitive advantages that could be of benefit when entering different markets, both international and domestic. Singh and Kundu (2002) reviewed certain major theories with the attempt to discover whether they could explain the internationalization patterns and pursuits of e-commerce companies. With regards to the connection between the resource-based perspective and e-commerce companies considering internationalization, the results were partially promising but did not provide a fully sufficient or adequate explanation. The reason for the conclusion was that the Internet-based companies often assume firm-level resources that are “unique and rare... in the form of entrepreneurial competencies and marketing and technological know-how”, which are also in line with the resource-based perspectives’ basic points (Singh & Kundu, 2002, p. 683). However, the contradiction lies in the perspective that the e-commerce company’s resources alone do not guarantee growth across borders, as resources that are needed are created in networks around the company as well (Singh & Kundu, 2002).

A theory that is often discussed with regards to companies' internationalization pursuits is the "born globals" phenomenon (Rennie, 1993; Knight & Cavusgil, 2004). The born globals' are optionally also referred to as "INVs" or more commonly, international new ventures (Oviatt & McDougall, 1994). The terms do have small differences between them, but in light of the content and main definitions concerning the terms, the differences are not crucial to be clarified with more depth. According to an early theory by Rennie (1993), the born globals are traditionally small and medium-sized firms (SMEs), which have assumed the internationalization mindset immediately from (or soon after) the company's inception, thus the nomination "born global". Similarly, born globals were defined as "entrepreneurial start-ups that, from or near their founding, seek to derive a substantial proportion of their revenue from the sale of products in international markets" (Knight & Cavusgil, 2004, p. 124). In general, e-commerce companies have the necessary prerequisites and possibilities to begin their business operations as born globals, since the Internet allows them to enter nearly any market they choose and establishing an e-commerce company requires less tangible and intangible resources than a traditional firm. There is, however, a scarcity of related theoretical research that would be in line with connecting e-commerce companies' internationalization pursuits and the born global theory. Only Cavusgil and Knight (2009, pp. 25–26) refer to the connection mentioned above, as they argue that born global firms can in fact be successful in their internationalization pursuits within the e-commerce field. The authors state that through e-commerce born globals are able to reduce their internationalization costs in terms of resources and marketing, increase their productivity, create value for customers while also strengthening their networks and information flow with stakeholders. In addition, by utilizing the technological benefits of e-commerce, born globals are able to react quickly to the changing market environment.

One of the most renowned theories used and utilized with regards to internationalization, international business activities and especially when multinational enterprises (MNEs) are considered, is Dunning's eclectic paradigm, or more familiarly, the OLI paradigm. According to Dunning (2001), the early thought

of the paradigm first came into existence after a symposium held in Stockholm in 1976, but has since then developed. The principal concept of the paradigm focuses on the internationalization pursuits of multinational enterprises, MNEs. According to the paradigm, MNEs attempt to take into consideration three critical factors (advantages), as they consider investing abroad; the O stands for ownership advantages, L for location advantages and I represents the internalization advantages. As Dunning (2006) clarifies, the ownership advantages are such resources or assets that an MNE already possesses or has exclusive access to. The ownership advantages are also commonly divided into three factors that support each other: asset-based ownership advantages, transaction-based ownership advantages and institutional ownership advantages (Benmamoun, Singh, Lehnert & Lee, 2019).

In more detail, Dunning specifies three sets of forces with regards to the paradigm and ownership advantages are presented as following: “The (net) advantages which firms of one nationality possess over those of another nationality in supplying any particular market or set of markets. These advantages may arise either from the firm’s privileged ownership of, or access to, a set of income-generating assets, or from their ability to co-ordinate these assets with other assets across national boundaries in a way that benefits them relative to their competitors, or potential competitors”. (Dunning, 2001, p. 177.) The second factor, location-based advantages refers to the (host) country-specific advantages in the location which an MNE may choose to enter. These advantages traditionally include the country-specific resources, as well as the “economic, political, legal, and cultural advantages”. (Dunning, 1988; 2009; as cited in Benmamoun et al., 2019, p. 322.) In the case of location-based advantages, the second force is determined as “the extent to which firms choose to locate these value-adding activities outside their national boundaries” (Dunning, 2001, p. 177). The third factor in the eclectic paradigm is the internalization advantages. According to the paradigm, an MNE may face conditions in which it has to be able to withdraw from a market or choose to alter its internationalization strategy and thus reduce costs (Dunning, 1988; as cited in Benmamoun et al., 2019, p. 323.) Also, with regards to the third force in terms of internalization advantages, the force is described as “the extent

to which firms perceive it to be in their best interests to internalise the markets for the generation and/or the use of these assets; and by so doing add value to them” (Dunning, 2001, p. 177).

However, the OLI paradigm does not solely explain the internationalization pursuits and growth of e-commerce companies, as it was developed to examine the rise and growth factors regarding multinational enterprises and corporations. Therefore, further studies and research have been conducted in relation to the subject, and as a result, an extension has been developed and embedded into the paradigm. Singh and Kundu (2002) published their paper in 2002, in which they presented their research on whether an extension of the eclectic paradigm they created, might assist in explaining the growth factors of e-commerce corporations (companies). The OLI advantages were utilized, but a fourth element was added; the N as in network advantages, thus forming the N-OLI configuration of the paradigm. The network advantages were applied to be adjusted to the paradigm as they are relatively easy to utilize and access in the web environment, and therefore provide possibilities to enhance a company’s economic functions and performance.

According to Singh and Kundu (2002), the network advantages are divided into advantages related to embeddedness, electronic-brokerage advantages and advantages from network economics. The advantages related to embeddedness are further classified into structural and relational embeddedness. In the case of structural embeddedness, it refers to how an e-commerce company uses networks (links) within the Internet to connect different websites, in order for the information to be more transparent, as well as to allow information to be shared more fluently (Granovetter, 1992; Jones, Hesterly & Borgatti, 1997; Singh, 2001; as cited in Singh & Kundu, 2002). Relational embeddedness on the other hand, “refers to the nature and strength” of relationships that are created within the networks in the Internet environment (Singh, 2001; as cited in Singh & Kundu, 2002, p. 687), thus allowing companies to form even stronger business relationships (Singh & Kundu, 2002). The electronic-brokerage advantages, according to Singh and Kundu (2002), are taken into account

when a company re-evaluates and re-configures its internal systems (value chains), as well as the methods it uses to coordinate and co-operate with other stakeholders; most importantly, customers. These reconfigurations are conducted, for they allow the company to coordinate value-adding activities online, which reduce costs and provide a time-saving aspect to all networks as well. Finally, the advantages from network economics consist of network externalities and value clustering. The network externalities refer to the positive networks created in Internet, which bring together several, different parties such as buyer and sellers, both from the business-to-business environment, as well as those representing business-to-customer networks. Value clustering refers to the fact that bringing all the parties together into a positive network creates value for all the parties, thus acting as motivation for companies to engage in networking in the Internet.

While the network-based advantages have been analysed and theorized with regards to the subject, the other elements of the OLI-paradigm had to be adjusted as well. With regards to e-commerce companies, Singh and Kundu (2002) discovered and presented their views in terms of ownership advantages, location-based advantages and internalization advantages. The ownership advantages were further divided into four additional advantages; website-based, knowledge-based, innovation-based advantages as well as advantages from intangible assets. The first one, website-based advantages entails how a company can develop its website by customization and personalization, thus attracting more customers to the site. In addition, the web traffic element is present as it allows the company to monitor the number of visitors to the website. The more visitors a website attracts, the more advertisers and other potential business partners become intrigued, thus potentially leading to better performance. The knowledge-based advantages are in question when a company is able to strategically and successfully utilize the different data its website provides. The data can provide valuable information with respect to customers' preferences and website usage. The third one, innovation-based advantages are referred to when a company is in pursuit of competitive advantages and growth by utilizing the innovative abilities of the entrepreneur, as well as the marketing and technology-related expertise and know-

how. Lastly, the intangible asset advantages, as the term depicts, represent the unique and inimitable assets and resources the company or entrepreneur possesses, such as the company's brand, patents, trademarks or simply employees' expertise. (Singh & Kundu, 2002.)

In terms of location-based advantages, and while the Internet and e-commerce operate mainly in the virtual environment, Singh and Kundu (2002) continue to separate them into three additional levels; regional level, web-based level and digital level. The regional level advantages refer to the abilities and know-how of the e-commerce company to utilize the benefits of both online and offline presence. In addition to being an e-commerce company, it can enhance its business by investing to and developing its location-contingent brick and mortar stores as well, with the attempt to decentralize the risk and avoid the possibility of failure. Secondly comes the web-based level, which is introduced according to the "bowtie theory", by Callahan (2000; as cited in Singh & Kundu, 2002). The theory depicts the bowtie as the centre in the virtual network, which connects all of the web pages. The outer ends of the bowtie are where the web pages with the smallest amount of usage and visitors reside, while the centre is the "home" of a large number of web pages, which in turn are in connection with all the other web pages. Consequently, the centre is where an e-commerce company should aim to position itself in order to gain most visits to its website. The third level in the location-based advantages category is the digital level. It includes the web environment-based advantages, which entail the successful usage of both media-based entities such as music, graphics and video services, as well as the networks that can be used to connect them. The ability to combine and connect these two leads to successful location-based advantages. (Singh & Kundu, 2002.)

The final piece of the N-OLI paradigm is the internalization advantages, which have been further divided into the following sections: vertical integration and horizontal integration. The advantages that these sections provide are slightly indifferent compared to the other advantages discussed above, but nonetheless bring certain benefits as well. In the case of vertical integration for instance, e-commerce companies

can gain the advantages it provides by internalizing their unique resources and assets that “are crucial to the delivery of their unique customer value proposition”. Horizontal integration, in turn allows e-commerce companies to gain access to benefits and assets that complement each other, and that are generally related to certain areas of business. Both vertical and horizontal integration advantages provide e-commerce companies with possibilities to lower their costs, and thus gain economies of scale and growth. (Singh & Kundu, 2002.)

Singh and Kundu (2002) summarized the extended N-OLI configuration of the paradigm (Figure 2) by pooling together the ownership-based and location-based, as well as the internalization and network advantages. These are further connected by the resource-based view, the network approach and the transaction cost perspective. According to the configuration, they all complement each other by bringing together the mentioned advantages. The ownership advantages stem from the resource-based view, while the location-based advantages connect and pool the benefits from the combination of resource-based view and transaction cost perspective. The internalization advantages are the product of transaction cost perspective, and the network advantages in the configuration connect with the network approach. These form the foundation for the extended, eclectic paradigm, but it is still further complemented by two necessary variables: the contextual variables which include the institutional environment and the technological complexity, which is evident in the e-commerce environment, and the strategy-related variable, which takes into account the dynamic capabilities of a company. These variables are connected as the institutional environment provides the infrastructure the necessary intangible resources and possibilities to develop business functions. The technological complexity is a result of this with providing technological expertise to gain access to the needed information and data about the e-commerce environment. Lastly, the dynamic capabilities that are necessary to construct the strategies and models that are used to operate the first two, completes the synergy, and thus pools all of them together to create value to the customers and the e-commerce company.

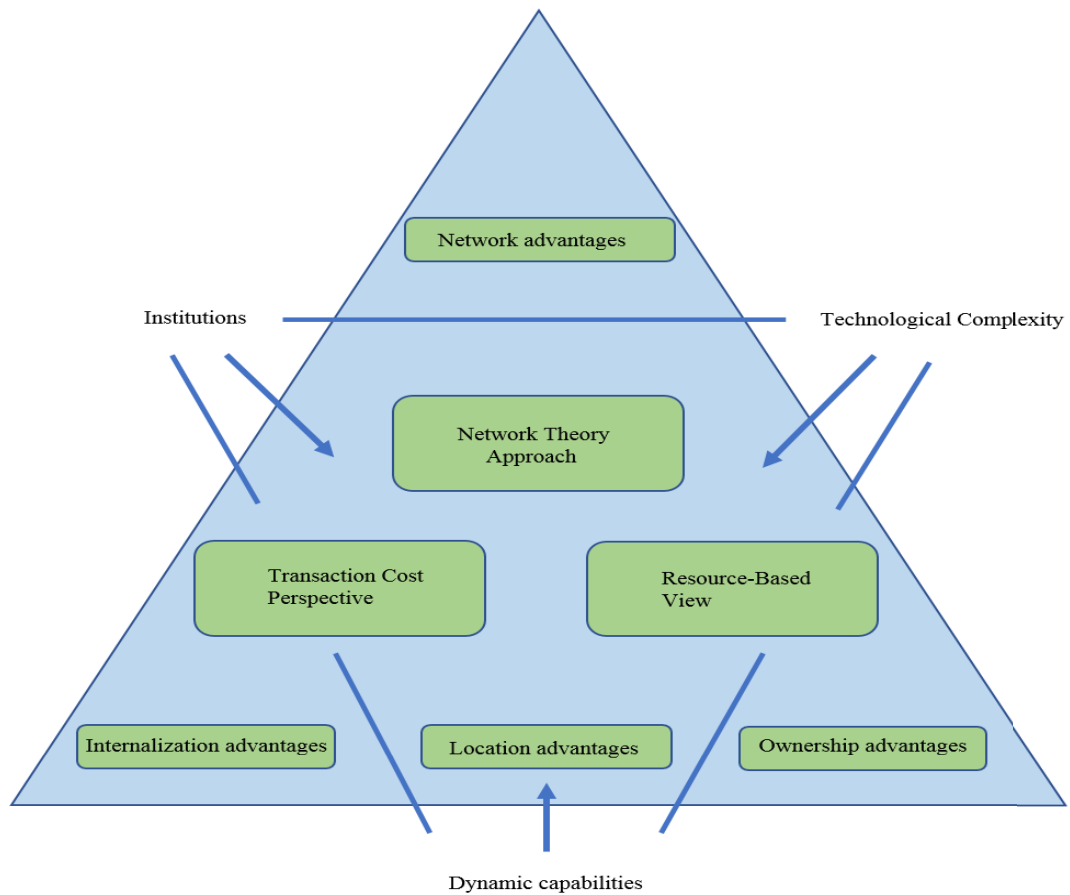


Figure 2. The N-OLI configuration of the eclectic paradigm (Adapted from Singh & Kundu, 2002, p. 692).

As it turns out, there are several theories to explain internationalization with respect to traditional companies, but only few of them provide even remotely sufficient or plausible explanations for the internationalization pursuits of e-commerce companies and whether and how they gain growth. The born global theory and the N-OLI configuration, critically evaluated, seem to provide connections with respect to the internationalization pursuits of e-commerce companies, and are thus chosen to be further evaluated and reflected against the empirical findings that are subsequently discussed in this thesis.

4 FACTORS INFLUENCING THE SUCCESS OF E-COMMERCE COMPANIES' INTERNATIONALIZATION

In this chapter the aim is to critically and comprehensively evaluate and present the success factors that would be favourable and vital for an internationalizing e-commerce company. This is conducted by analysing the research studies and data presented in the subchapters below. The data focuses on the factors that have an effect on the internationalization of e-commerce companies, as well as traditional companies, due to formulating an objective and extensive perspective, and also while the research data concerning the success factors with regards to only e-commerce companies' internationalization is scarce. The factors found from the theoretical data are compiled into a framework, which is contrasted and reflected against the empirical findings of the study.

The factors that are responsible for the successful internationalization pursuits and growth of both e-commerce companies and traditional companies are fundamentally similar, although there are certain factors that can be characterized exclusively with respect to e-commerce companies. Regardless, the factors affecting both types of companies are highly multidimensional and varied. Therefore, in order to not disrupt or mix up the functions or purposes of certain factors, the most objective and distinct manner to study and evaluate them is to separate the different factors. In a study regarding the factors affecting the SME internationalization processes of companies in emerging economies conducted by Senik, Isa, Sham and Ayob (2014), the affecting factors are separated into three categories: triggering factors, internal factors, and external factors. The first one refers to the motivational factors that act as determinants with regards to companies' (entrepreneurs') decisions to internationalize. Internal factors consist of the capabilities and resources that a company has assumed and exist within the firm (Bell, Loane, Njis, E., Nijs, I. & Phillips, 2007; Chetty & Wilson, 2003; Jones & Coviello, 2005; as cited in Senik et al., 2014). The external factors are considered in terms of political, competitive, market-related and environmental

aspects (Senik et al., 2014). These categories will function as the main groups of interest that will be studied in the following subchapters.

4.1 Triggering factors

The reasons why both e-commerce companies, as well as traditional companies choose to internationalize can be varied and can also be reviewed from multiple perspectives. Ahokangas and Pihkala (2002, p. 108) recognize that there are two distinct ways with respect to how a company begins its process to internationalize. A company can simply drift towards an international path unconsciously, whereupon the risk of failure is highly apparent and plausible, as the company does not have a direct and straightforward objective in mind or a premeditated strategy in place. The other, more favourable approach on the other hand is that the company knowingly makes the decision and begins to devise its plan to internationalize. (Ahokangas & Pihkala, 2002.) The latter scenario is evidently the more favourable one and the highly formidable factor in this regard is, therefore, the motivation of the entrepreneur (company) to internationalize.

Motivation of the entrepreneur or the management of a company functions as the main triggering factor to internationalize. However, according to Czinkota, Johanson and Ronkainen (2002; as cited in Senik et al., 2014), as well as Hollensen (2001; as cited in Senik et al., 2014), motivational factors can be further categorized into reactive and proactive motives. Albaum, Strandkov, Duerr and Dowd (1994) introduce the proactive motives, which are *profit and growth goals, managerial urge, technology competence/unique product, foreign market opportunities/market information, economies of scale and tax benefits*. The reactive motives, on the other hand, are *competitive pressures, domestic market: small and saturated, overproduction/excess capacity, unsolicited foreign orders, extend sales of seasonal products and proximity to international customers/psychological distance*.

When considering e-commerce companies, most of the factors are valid and plausible, but it could be argued as well that some of the motives presented above may not be necessary. For instance, tax benefits do not apply if the e-commerce company's base of operations is on domestic soil, but delivers its products or services abroad. Also, the *proximity to international customers/psychological distance* motive is somewhat controversial, as conducting business as an e-commerce company does not necessarily require physical proximity or interaction with the customers, since the ordering of the product, delivery, as well as customer service is conducted digitally. In addition, the *extend sales of seasonal products*-motive does not apply similarly in the case of e-commerce companies as with traditional companies, which need a tangible base of operations. E-commerce companies, however, can decide whether or when to sell their seasonal products, as it is not contingent in terms of location. Therefore, based on the above, the triggering factors affecting the success of an internationalizing e-commerce company chosen to be added to the framework will be the following: motivation of the entrepreneur, profit and growth goals, managerial urge, technology competence/unique product, foreign market opportunities/market information, competitive pressures, domestic market: small and saturated, and unsolicited foreign orders.

4.2 Internal factors

According to Hollensen (2007, p. 298; as cited in Belniak, 2015, p. 128), internal factors that have an effect on the internationalization of a company are *firm size*, *financial capabilities*, *international experience*, *product complexity* and *product differentiation advantage*. Also, as Bell et al. (2007; as cited in Senik et al., 2014), Chetty & Wilson (2003; as cited in Senik et al., 2014), as well as Jones & Coviello (2005; as cited in Senik et al., 2014) argue, the internal factors stem from within the firm and include factors such as “firm characteristics, competencies, resources, entrepreneurial orientation and key personnel”. Firm characteristics, which do have an effect on company's profitability (Egbunike & Okerekeoti, 2018), generally include factors such as the size of the firm, (Hollensen, 2007; Olivares-Mesa & Suarez-Ortega,

2007), the age of the firm (Swiss, 2008), liquidity (Dogan, 2013) and leverage (Mule & Mukras, 2015). Firm competencies entail the company's abilities to use the knowledge they have to guide the company towards better results and performance by utilizing the suitable approach methods. In this regard, especially strategic planning and the implementation practices come in question. (Obrecht, 2014; Senik et al., 2014.) However, the entrepreneurial orientation-factor could also be connected with the latter, as it entails the strategic activities that an entrepreneur, the firm or the management conducts (Lumpkin & Dess, 1996; Smart & Conant, 1994; as cited in Senik et al., 2014).

The resources that a company has, according to the resource-based view (Conner, 1991; Montgomery & Wernerfelt, 1997; Ahokangas, 1998; Matlay et al., 2006), are a significant factor in terms of developing competitive advantages, and thus resulting in successful internationalization and profits. The final internal factor according to Senik et al. (2014) is the key personnel, which are naturally the entrepreneur or the owner of the company, its management and the employees, who all have a part to play in the internationalization process in terms of human and social capital and know-how.

When the above-mentioned internal factors are reflected with respect to those of internationalizing e-commerce companies, they can essentially be seen as fairly similar. As is the case with all companies in general, e-commerce companies as well need to have the financial prerequisites to establish the business, the product or products unique enough to enter the markets and attract the consumers, the experience and competence of the entrepreneur and other key personnel, as well as other necessary resources, such as company image or brand. Thus, the internal factors to be suggested to the framework that may have an effect on the success of internationalizing e-commerce companies are the following: firm characteristics, financial capabilities, international experience, product differentiation advantage, competencies, resources, entrepreneurial orientation and key personnel.

4.3 External factors

The external factors that influence the internationalization pursuits, processes and possible growth and success of both e-commerce companies and traditional companies, are similarly varied as the internal factors, but are generally also such that the company or the management cannot avoid, but to some extent, can control and abide. According to Hollensen (2007, p. 298; as cited in Belniak, 2015, p. 128), external factors include the following: *market size and growth, country risk/demand uncertainty, direct and indirect trade barriers, intensity of competition, small number of relevant export intermediaries available*, and lastly, *the sociocultural distance between home and host country*. On the other hand, external factors can also be categorized in a more linear way, as Senik et al. (2014) suggest: *market environment, governmental characteristics, environmental characteristics and competitive environment*. The market environment plainly concerns the surrounding market conditions, with respect to how large the market is, what are the possibilities for growth in a certain market, as well as the economical and infrastructural factors that a company should consider (Jones & Coviello 2005; Root, 1994; as cited in Senik et al., 2014). With regards to the governmental characteristics, they naturally include the bureaucratic factors, legalities and governmental regulations (foreign and domestic), that have to be considered and that a company does not have any control of (Mtigwe, 2005; Root, 1994; as cited in Senik et al., 2014). Governmental characteristics expand as they connect with the environmental characteristics, which according to Root (1993; as cited in Senik et al., 2014) can be considered being “political, economic, social, technical and legal”. The last factor according to Senik et al. (2014) is the competitive environment in which a company operates. The competitive environment includes for instance the co-operation and co-learning possibilities, which allow the risk to be shared.

A number of external factors presented above can be considered to have an effect on the internationalization success of e-commerce companies. Similarly, as with traditional companies, e-commerce companies need to consider the market

environment, especially in terms of investigating whether there is demand for their products. The governmental characteristics are a factor as well in terms of legal and political regulations and trade barriers. In addition, the competitive environment characteristics need to be factored in with respect to the competition in the market environment. Consequently, the external factors to be considered in the framework are the market environment, governmental characteristics and competitive environment.

4.4 Factors characteristic to e-commerce companies' internationalization success

While the theoretical research data that could be found from scientific articles relating exclusively to the internationalization success of e-commerce companies is scarce, additional sources needed to be examined. Certain websites and organizations have conducted their own studies, in which they have discovered additional key factors that affect the internationalization success of e-commerce companies.

According to Paytrail (2020), there are several additional factors that e-commerce companies need to consider and enable in order to succeed internationally and gain growth. The first considerable issue is to ensure that the consumers are able to find the company's web store, which translates into investing in visibility, as well as findability. Another considerable factor is the content that the company provides, such as the story of how the company was established, or how the company or its website differentiates from those of competitors. The pricing of the products needs to be competitive compared to both domestic and international competitors, while also the costs to the consumer need to be reasonable. An e-commerce company also needs to gather and interpret the analytical data in terms of consumers' buying habits, and thus adjust and optimize the website based on the results. In relation to this comes the suitable and functioning web store platform, especially with respect to the technological capabilities to support in gaining growth. A formidable factor is also a functioning network, which translates into the procurement and development of profitable relationships with different partners and stakeholders, that already assume

experience in international e-commerce. The final factor includes the competent utilization of marketing, for instance in terms of reaching the customers through different channels such as social media. In addition, the relationships with customers need to be considered in terms of functioning after sales marketing.

Similar factors were also considered by Parsama, as he was interviewed by Fab magazine (2019). According to Parsama, an e-commerce company should first recognize its competitive advantage(s), in relation as to why the customer would acquire the goods from the company. Secondly, the company needs to invest in the constant procurement of new customers by contacting them through a variety of channels such as social media, different search engines and personalized marketing. The proper understanding of the needs and buying habits of consumers, as well as how to get them to return to the web store, is in the focus when pursuing for growth. Parsama also emphasizes the significance of content by adding the visuality of the website, as well as how the content on the website is written, for instance when product descriptions are concerned. Finally, both Parsama and Paytrail (2020) emphasize the utilization of data and the competent analysis of it.

4.5 A compiled theoretical framework

In the subchapters above, the factors that are considered relevant in terms of traditional companies' internationalization pursuits, were studied and introduced. Thus, further research was conducted in terms of studies that focused exclusively on the success factors that have an effect on the internationalization pursuits and growth of e-commerce companies. The variety of different factors discovered from the studies above is highly multidimensional, and even though they were seen as being rather similar, only certain factors were seen as significant. Therefore, the factors that were scientifically evaluated and perceived to be relevant in light of the study, have been compiled to a theoretical framework below (Figure 3). The framework illustrates the triggering factors, internal factors and the external factors which are encountered in terms of traditional companies' internationalization pursuits, as well as the success

factors that are exclusive to e-commerce companies. The framework will be further compared to the factors that will be discovered from the empirical research.

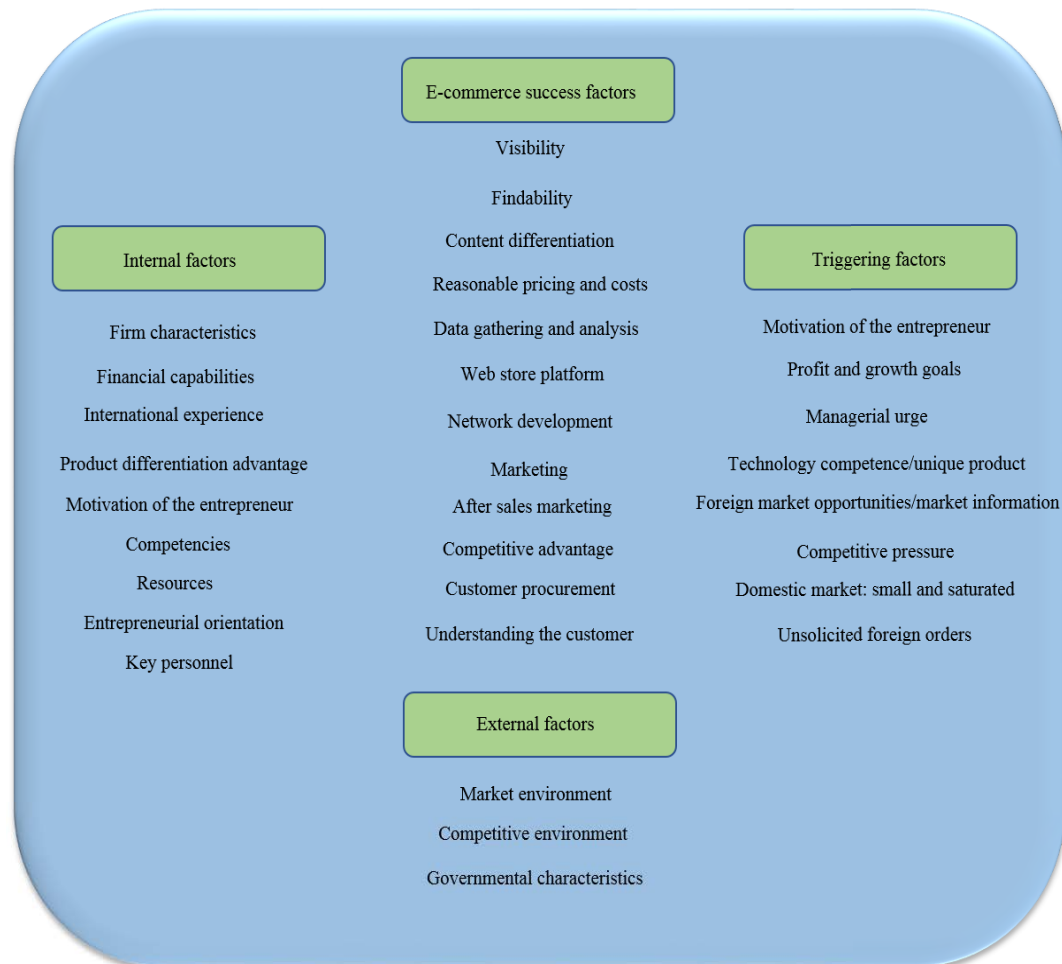


Figure 3. Success factors affecting internationalization of traditional companies and e-commerce companies.

5 METHODOLOGY OF THE RESEARCH

This chapter focuses on the introduction and justification with respect to the research methodology that has been utilized in this thesis. The following subchapters introduce the research design and the chosen research methods used in terms of the overall study. In addition, the reasoning for the research methods, as well as the data analysis methods with respect to the study will be clarified.

5.1 Research design and research methods

Due to the nature of the overall study, qualitative research methods have been utilized and the research analysis method was abductive. According to Hirsjärvi, Remes and Sajavaara (2004, p. 155), qualitative research traditionally focuses on studying and interpreting people and phenomena, by utilizing research methods such as theme or group interviews, participative observation or discursive analysis. The target group of the study is deliberately chosen, and for a qualitative study it may also be typical, that the research plan may alter its shape while the study advances.

In the case of abductive analysis method (Tuomi & Sarajärvi, 2009, pp. 95–99), or theory-contingent analysis method as it is commonly referred to as well, it is typical that the data analysis is not exclusively related to a theory, but certain theoretical connections can be recognized. This can be understood as well from the perspective that theoretical models are utilized or sought as complementary, when research data is analysed. (Eskola, 2001, pp. 135–140.)

The study is initiated by conducting a literature review, which focused firstly on introducing and clarifying the definitions and theoretical perspectives with respect to the first key concept, e-commerce. The objective of introducing the concept, the statistics of e-commerce in Finland, as well as the global statistics with respect to e-commerce was to provide the reader with a clear understanding of the key concept and a theoretical baseline for the study. In the following chapter, the concept of

internationalization, certain operation modes, as well as internationalization theories were further analysed with the attempt to discover whether there are applicable theories that would explain internationalization and e-commerce as a combined phenomenon. The literature review continued with studying the theoretical viewpoints regarding the essential factors that an e-commerce company should consider, and that are needed for a successful internationalization. The factors were examined both from traditional companies' perspective, as well as e-commerce companies' perspective. The reasoning for the method was that there is a lack of relevant scientific studies that focus exclusively on the factors that have an effect on the internationalization success of e-commerce companies. The factors were compiled into a theoretical framework, which will be reflected against the empirical findings of the study.

5.2 Empirical research

Due to the objectives of the study, and while the nature of it is qualitative, relying exclusively on a literature review will not suffice. Therefore, empirical research was conducted by interviewing certain Finnish companies operating in the e-commerce retail sector, and more accurately, individuals that could be considered key personnel, such as the founders of each company. The empirical research results were analysed by utilizing abductive research analysis methods, as the objective was to discover whether the results would be complementary with respect to the findings of the literature review.

The companies that were chosen to be interviewed were Finnish, both small and medium-sized, as well as larger companies operating in the e-commerce retail sector, and all of them are based in Finland as well. The companies were chosen by researching and examining the websites of random Finnish e-commerce companies according to certain prerequisites. The chosen companies were expected to have been internationalized to some extent at least, and in essence, this translated to the fact that the companies deliver their commodities across borders in addition to conducting business domestically. This was verified by examining their delivery methods and

options in terms of regions they deliver to. Also, at least English was required to be a language option on the company's website. The chosen companies were allowed to have brick and mortar operations in Finland, but companies that have tangible subsidiaries or stores abroad, and gain a part of their cashflow from those, were avoided to be included in the study. In terms of validity, the interview questions were thereby also structured and formed in a way that the focus was on the companies' e-commerce business, in order to avoid contradictory results.

The companies were contacted via e-mail (appendix 3), in which hyperlinks for the interview forms were provided. The interview questions were generated both in English and Finnish, in order to allow the respondents to choose the language they felt comfortable to use when replying. In the empirical analysis chapter, the relevant information drawn from the replies that are in Finnish, were translated and presented in English as well. The names of the respondents or the companies, or information within the replies which could be utilized to discover the identities of the respondents or the companies, were censored in the analysis. The policy was exercised in order to protect the anonymity of the respondents.

The gathering of the empirical research data was conducted by utilizing a digital interview form (appendix 1-2) that was generated in Webropol. The reasoning for choosing a digital interview form was plainly due to the fact that the companies' geographical locations limited the possibility of face-to-face interviewing. The interview form itself combined elements which are considered characteristic to both semi-structured, as well as structured interviews. The interview form consisted of questions which aimed to discover the companies' financial performance in terms of e-commerce, their views and experiences on internationalization, the process that they have undergone, as well as the factors that have had an effect on the process and potential success. In other words, the questions were structured according to certain themes. For a semi-structured interview it is characteristic that the themes are chosen beforehand, and the questions pursue to discover the respondents' thoughts and perspectives on the matters at hand, as well as their significance to the respondents

(Hirsjärvi & Hurme, 2001, p. 48; as cited in Tuomi & Sarajärvi, 2009, p. 75). A structured interview, however, is constructed in a form in which the questions are formalized, in a certain order and guide the respondent (Eskola & Suoranta, 2000, p. 86). A number of the interview questions were multi-choice, but most of the questions on the other hand were open-ended. The reasoning for structuring most of the questions as open-ended allowed for the respondents to elaborate more in terms of their replies, which thus provided more encompassing results with respect to the research data analysis.

6 EMPIRICAL ANALYSIS

The first subchapter below will focus on presenting the empirical data gathered from the interviews. In the second subchapter the results of the empirical findings are aggregated and reflected against the findings discovered in the literature review.

6.1 Empirical data gathered from interviews

The interview requests were sent by e-mail to a total of 21 companies. Three of the companies replied to the e-mail, in which they expressed their refusal to respond to the interview. Two of these companies considered themselves of being unsuitable respondents, and one company plead not having the time to provide a response. In terms of the rest eighteen companies, thirteen of them did not respond to the interview, nor did they provide a reply to the e-mail. The five remaining companies however, provided their responses to the interview forms; three in Finnish, and two in English.

The interview questions from 1 to 5 present information with respect to the companies' background, such as choice of selection, target market, period of operationality, the number of employees when the companies were founded, and the current number of employees. The companies' financial information, especially in terms of growth will be depicted in the questions from six to thirteen. Following the financial information, questions from 14 to 23 focus on the internationalization processes of the companies, their motives and reasons for internationalization, perspectives with respect to competitive advantages, as well as the factors that have had an effect on operational decisions and success. The replies to the interview questions are presented below, in the form of figures.

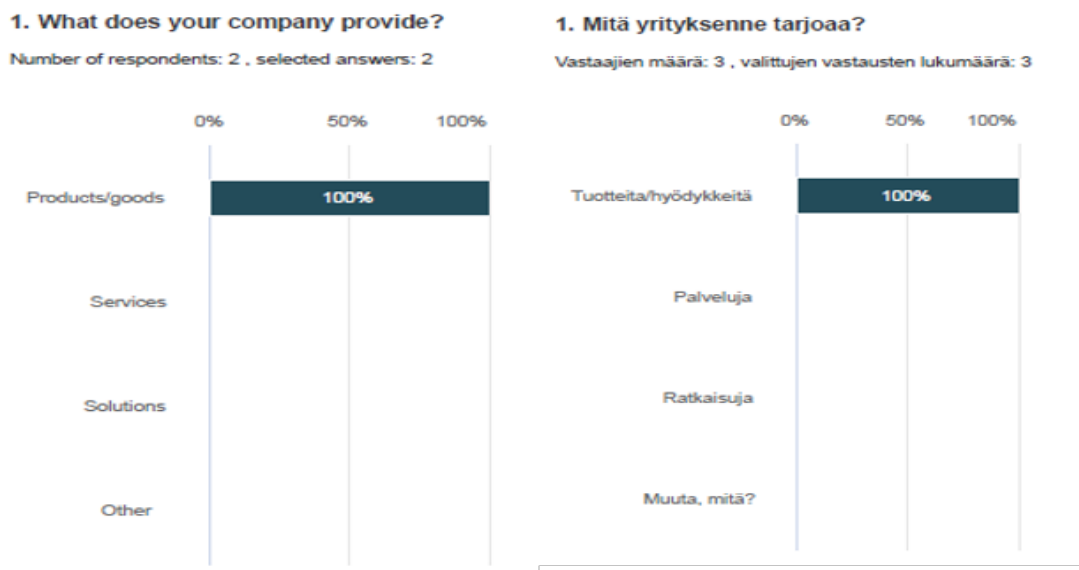


Figure 4. Commodity selection and target market.

The first question (Figure 4) depicts what the companies offer to their customers. As seen in the replies, all of the companies produce products, goods or some kind of commodities.

The questions 2 and 3 below (Figure 5) present what the companies' target markets are, as well as how long the companies' have been operational. Three of the companies focus on niche² markets, while the other two provide goods for a larger mass of consumers. In terms of operationality, one company replied to have been operational from 2 to 4 years, while four of the companies have been conducting business for more than six years.

² Niche market: "a small part of a larger market that has its own specific needs, which are different from the larger market in some way" (Corrigan, 2019).

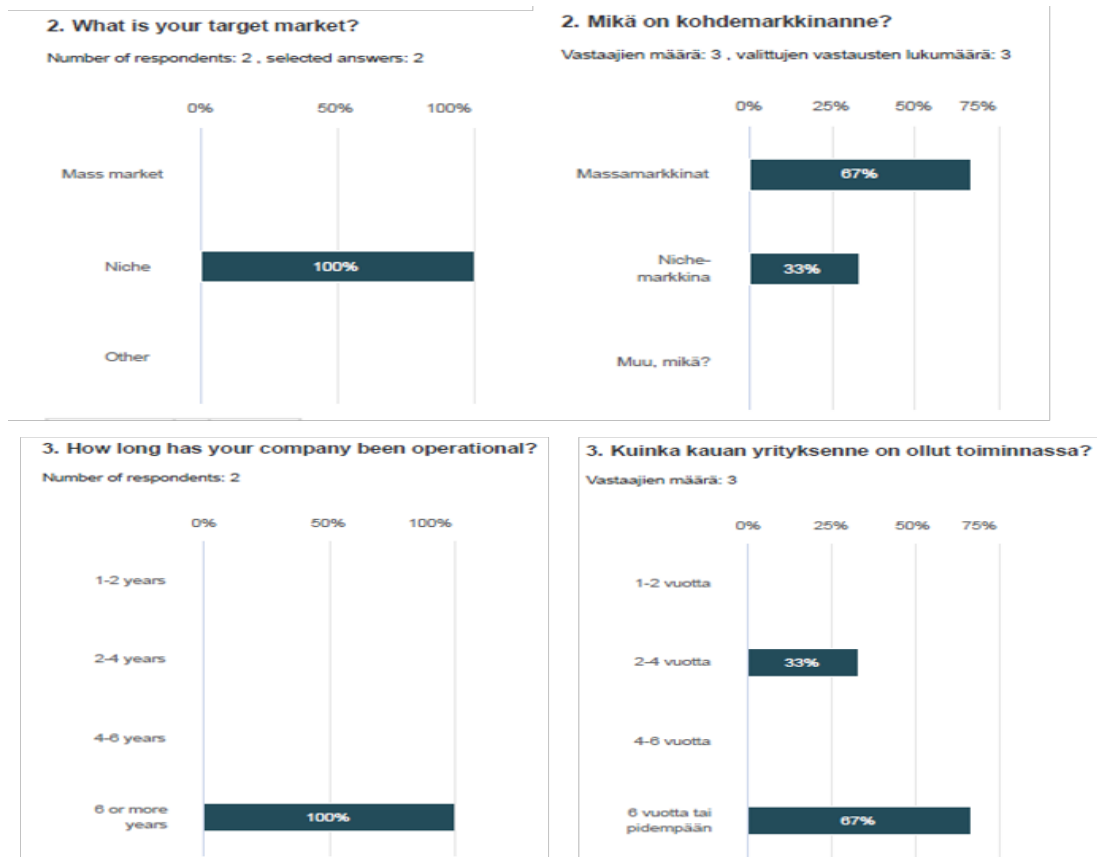


Figure 5. Target market and company's period of operationality.

The next questions converse on the companies' number of employees when the companies were established, as well as on the current number of employees. As seen in the figure below (Figure 6), three of the companies were founded by a single individual (entrepreneur), while in two of the companies, two individuals were responsible for the establishment. As the companies have grown, the number of employees has grown as well. One of the companies operates with a staff of 1 to 5 employees, while four of the companies have recruited more.

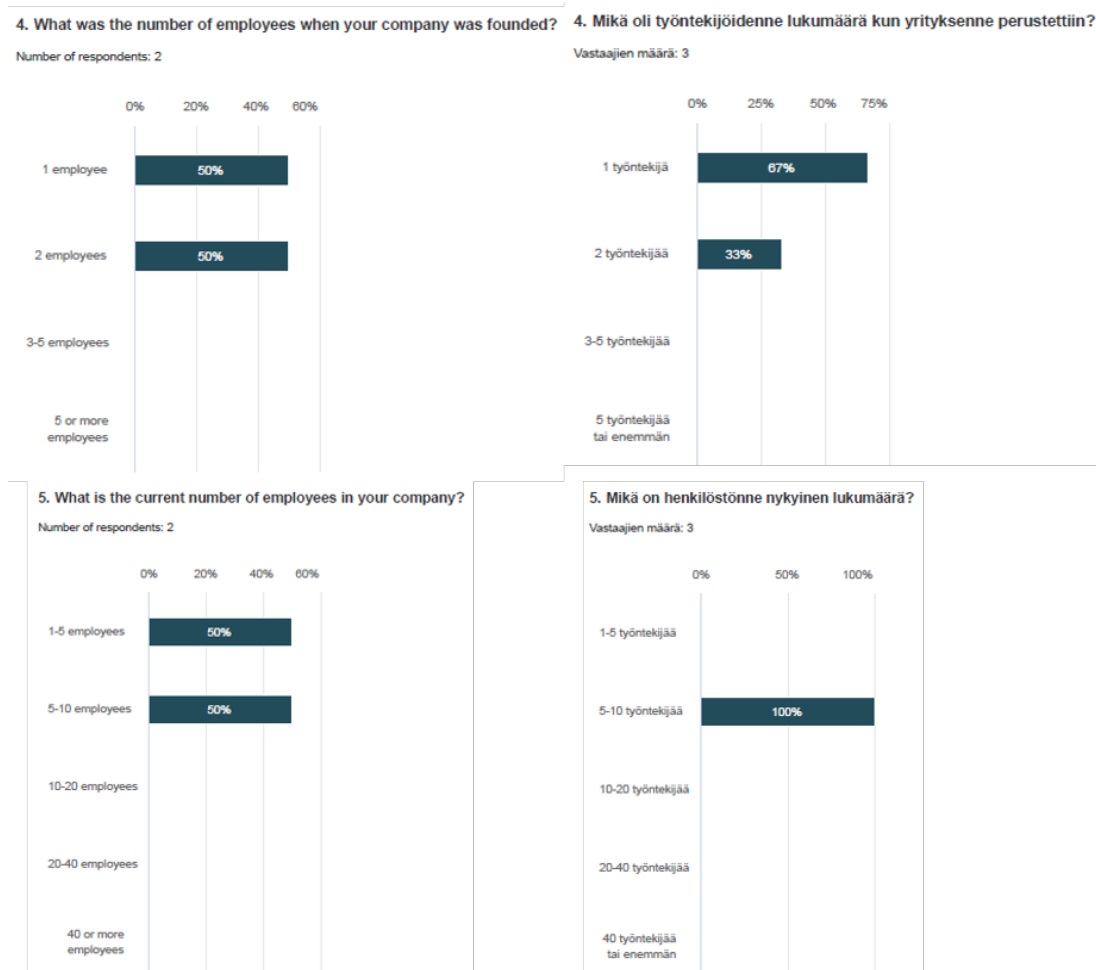


Figure 6. Number of employees at the time of company establishment and current number.

As stated earlier, questions from 6 to 13 depict certain financial information with respect to the companies. However, due to protecting the companies' anonymity, the exact numbers will not be presented.

As illustrated in the figure below (Figure 7), question six presents what the current amount of turnover of each company is, while question seven illustrates the share of e-commerce sales in terms of turnover. Four of the companies have incremented their turnover to a scale between 1 million and 5 million euros, while one company situates between 100 000 and 500 000 euros. Similarly, when discussing the share of e-commerce sales in terms of turnover, four of the companies generate all or most of

their sales through e-commerce, while one company's e-commerce sales cover approximately between 20 to 40 per cent of the whole turnover.



Figure 7. Most recent turnover and share of e-commerce.

The next figure below (Figure 8) illustrates the share of international e-commerce sales in terms of each company's most recent turnover. As it can be seen in the figure, the companies are in different positions with respect to international e-commerce sales. One of the companies gains most or all of its sales through delivering its commodities abroad, whereas another company's international e-commerce sales situate between

40 to 60 per cent. The remaining three companies are still in the process of increasing their shares of international e-commerce sales.

8. What is the share of international e-commerce sales of your company's most recent turnover? 8. Mikä on yrityksenne ulkomaille suuntautuvan verkkokauppamyynnin osuus liikevaihdosta?

Number of respondents: 2

Vastaajien määrä: 3

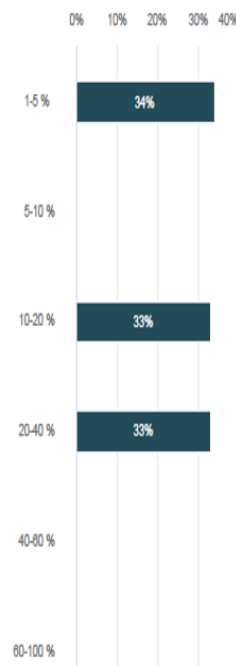
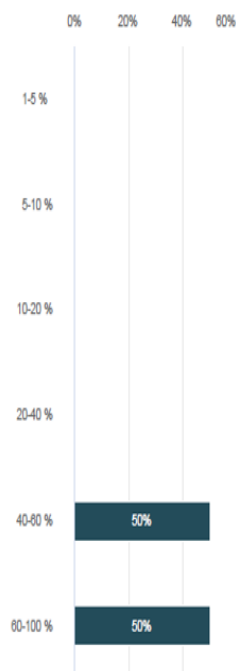


Figure 8. Share of international e-commerce sales of company's turnover.

9. How has the share of international e-commerce sales of your company's turnover developed since company's inception?

Number of respondents: 2

| Responses |
|---|
| Slowly growing, depending on the amount money and effort spent. |
| it has stayed about on the same level since start. |

9. Miten yrityksenne ulkomaille suuntautuneen verkkokauppamyynnin osuus on kehittynyt yrityksen perustamisesta lähtien?

Vastaajien määrä: 3

| Vastaukset |
|---|
| Kasvaa hyvin hiljalleen |
| Kasvanut pikkuhiljaa viimeisen 4 vuoden aikana. |
| Kasvanut, alunperin tuli tilauksia ulkomailta vaikka meillä oli vain suomenkieleinen verkkokauppa. 2018 avasimme kansainväliset verkkokauppasivustot ja aloitimme kansainvälisen markkinoinnin. Nykyisin meillä on tuotteissa kielet suomi, ruotsi ja englanti sekä verkkokaupat [redacted].com kansainvälinen ja eurot, [redacted].se ruotsin markkinoille suunnattu ja kruunut sekä [redacted].fi Suomenmarkkinoille. |

Figure 9. The development of international e-commerce sales.

As the companies clarify in the figure above (Figure 9), their sales in terms of international e-commerce are either slowly growing or have remained stable. The growth and development of sales seems to have been made possible by the development of international marketing, web pages and diverse language options.

In addition to examining the companies' financial information with respect to turnover and share of sales in terms of international e-commerce, similarly the net income of the companies needs to be considered.

The companies were requested to illustrate their most recent net income, as seen below (Figure 10). One of the companies reported a net income situating between 100 000 and 300 000 euros, and another between 50 000 and 100 000 euros. A break-even point was also reached, which is explained in Finnish in the open-ended text space below. The company explained to have invested the income back into the company for the development of growth. The remaining two companies ended up with a negative result, which can also be explained with investing the funds back into the companies.

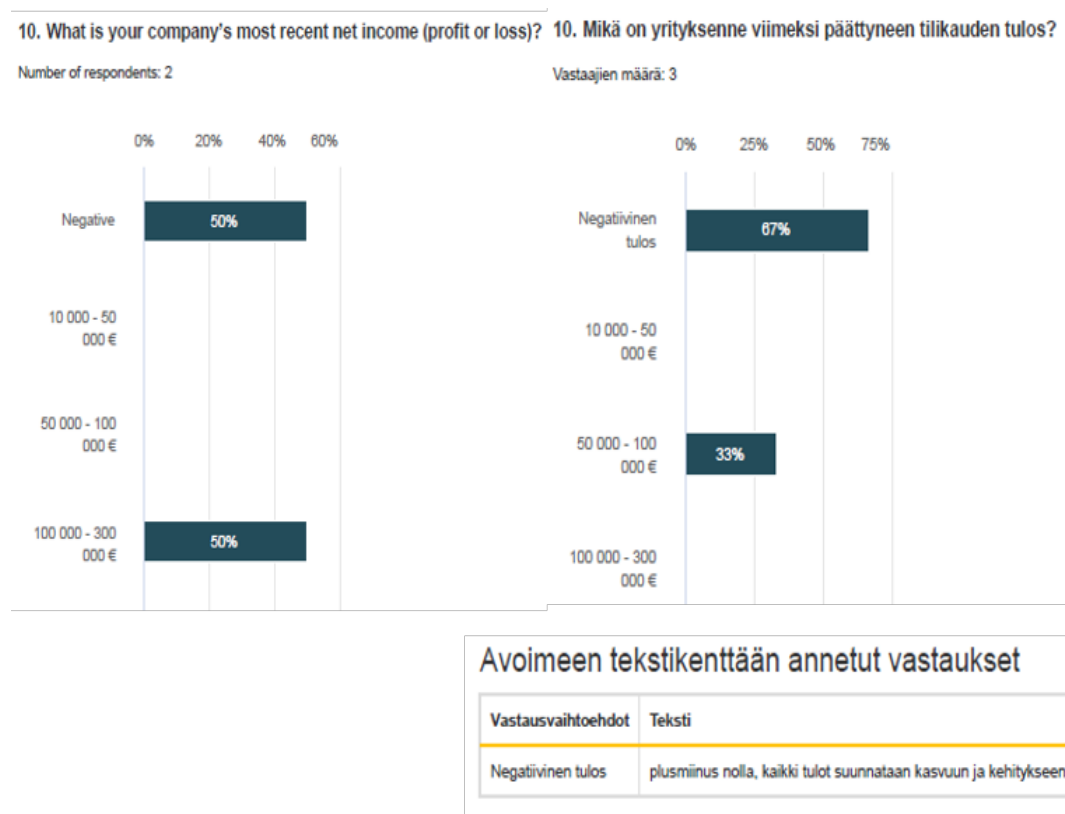


Figure 10. Company's most recent net income.

The following questions, 11 and 12, in turn focus on the revenues of the companies, in terms of e-commerce overall, as well as international e-commerce. The companies were requested to place their replies in the open-ended spaces, as seen in the figure below (Figure 11). In terms of overall e-commerce revenue, two of the companies gain all of their revenue through e-commerce. The third company replied generating approximately 60 per cent of its revenue through e-commerce, and the fourth company's revenue in terms of e-commerce situates around 80 per cent. The fifth company was not able to provide the exact number of e-commerce revenue in relation to its net income. With respect to the revenue generated entirely through international e-commerce, the figures between companies differ. In the case of one company, the number is more or less 80 per cent, while the rest of the companies are slowly increasing their shares in terms of international e-commerce revenue.

11. What is the share of e-commerce revenue of your company's most recent net income?

Number of respondents: 2

| Responses |
|-------------|
| all |
| Approx 80 % |

11. Mikä on verkkokauppamyynnin tuottojen osuus viimeksi päättyneen tilikauden tuloksesta?

Vastaajien määrä: 3

| Vastaukset |
|---|
| Noin 60% |
| 100% |
| Verkkokauppamyyni oli 20,8% kaikesta myynnistä, mutta tulosta emme saa kohdennettua pelkästään verkkokauppamyyniin. |

12. What is the share of international e-commerce revenue of your company's most recent net income?

Number of respondents: 2

| Responses |
|--|
| pretty much all the los is from investments into marketing |
| Approx 80 % |

12. Mikä on yrityksenne ulkomaille suuntautuneen verkkokauppamyynnin tuottojen osuus viimeksi päättyneen tilikauden tuloksesta?

Vastaajien määrä: 3

| Vastaukset |
|---|
| 20% |
| 2% |
| Karkeasti 12-15 % koko verkkokauppamyynnistä. |

Figure 11. Share of e-commerce revenue and international e-commerce revenue of net income.

When concerning the development of international e-commerce revenue since the companies have established their businesses, similar conclusions can be identified from the replies seen in the figure below (Figure 12), as was already mentioned in the analysis regarding question 12 above. The share of international e-commerce revenue has either remained stable or it has slowly and steadily continued its growth. The importance of international e-commerce revenue is identified as veritably significant and provides funds for further investments with respect to the companies' business functions.

13. How has the share of international e-commerce revenue of your company's net income developed since company's inception?

Number of respondents: 2

| Responses |
|--|
| without the international sales we would have never survived this far. |
| Has been on the same level since start up. |

13. Miten yrityksenne ulkomaille suuntautuneen verkkokauppamyynnin tuoton osuus tilikauden tuloksesta on kehittynyt yrityksen perustamisesta lähtien?

Vastaajien määrä: 3

| Vastaukset |
|--|
| Kasvaa hiljalleen |
| Kasvanut |
| Panostukset ovat vielä tuottoja suuremmat. |

Figure 12. The development of international e-commerce revenue since company's establishment.

Following the financial information provided by the companies, the focus turns to the motives and reasons as to why the companies have decided to internationalize, their competitive advantages and resources, as well as the different factors that may have had an effect on the growth and success of each company.

With respect to the companies' growth in terms of internationalization, questions 14 and 15 in the figure below (Figure 13) pursued to discover when did the companies firstly consider on internationalizing their e-commerce operations, and what were the motives as well. The general conclusion to be made from the replies provided by the companies, was that internationalization instantly, or rapidly from company's inception was a natural course of action to most of the companies. Only one of the five companies began its pursuits for internationalization slightly afterwards. In terms of motives and reasons which have affected the companies' internationalization pursuits, the companies provide both similar and varied replies. In the replies provided in Finnish, as well as English, the motivation to seek for more growth and profits and the saturation of the Finnish market seemed as the most obvious reasons for the companies to internationalize. In addition, one company explains to having received inquiries

from abroad, being unique in terms of product selection, as well as being concerned of getting superseded by prospective competitors if measures to internationalize are not taken.

14. When did you decide that you want to internationalize?

Number of respondents: 2

| Responses |
|---|
| Before the company was founded, it was founded to be a global contender and preferably the largest in Europe. |
| From start. |

14. Milloin päätitte, että haluatte kansainvälistyä?

Vastaajien määrä: 3

| Vastaukset |
|--|
| Heti aloitettuamme 2010 |
| 2011 |
| Päätimme ottaa selkeästi kansainvälistymis ja kehitysaskleet vuonna 2014, kun seurasimme Ruotsin kehitystä ja vastaavien verkkokauppojen rantautumista Suomeen. Benchmarkit eivät enää pitkään aikana ole olleet Suomesta. |

15. What kind of reasons or motives affected your decision to internationalize?

Number of respondents: 2

| Responses |
|---|
| Finnish market would make no sense |
| EU, EUR and niche products. Cultural, bilingual background at Finnish west coast. |

15. Mitkä syyt tai motiivit vaikuttivat päätökseenne kansainvälistyä?

Vastaajien määrä: 3

| Vastaukset |
|---|
| Uskoimme menestymiseen myös kv-markkinoilla, Suomen markkinat tuntuvat käyvän pieneksi |
| Liiketoiminnan ja tuloksen kasvattaminen |
| Motivoivaa oli että saimme jo tilauksia asiakkailta, eli tarjoama ja hinnoittelu oli mielenkiintoinen asiakkaille. Taustaselvitysten mukaan vastaavia kauppia ei ollut olemassa ja koemantena oli kilpailutekijät, jos ei tehdä mitään eikä kansainvälistyä, niin emme kehity ja kasva, vaan painaistoin jäämme jalkoihin kun muut tulevat Suomeen. |

Figure 13. Timing of internationalization and motivation.

In question 16 (Figure 14), the companies were asked what kind of significant decisions they have made or actions that they have taken, have contributed to their internationalization process. In the replies, the companies provided varied and elaborated responses, but to conclude, certain themes or issues can be raised: investments into creating a desirable combination in terms of price and product, truly

making an effort to provide high quality-service to customers in terms of developing the web store systems (varied language, payment and delivery options), develop and form relationships between partners and other stakeholders in terms of logistics and payment service providers, as well as making extensive investments into marketing-related functions, such as social media and in terms of verifying marketing functionality in all of the market areas.

16. - What kind of key decisions have you made that have contributed to your internationalization process?- Could you elaborate with some examples?

Number of respondents: 2

| Responses |
|--|
| Created a mix of service, price and products that is desirable. Then found the money to actually get it out there. Getting money was the hardest part as all the financing "rules" are totally useless for a e-com business and they are all "against us". Also the people who make decisions don't understand the character of the business and there is no successes from earlier companies that they could relate to to actually look deeper. There is very few companies in Finland that sell B2C to almost 40 countries each month. |
| Consider every customer as your most important marketer. Give the impression that here is a person behind, even if it is a webshop. First comes - the person. I am here to serve you, You can rely on me. - then comes the company brand. - then comes the nationality. Take the Finland brand for what it is. Not over- or underestimate. Me and [redacted] are building a relationship. Not Finland and and Germany. |

16. Minkälaisia merkittäviä päätöksiä olette tehneet, joilla on ollut vaikutus kansainvälistymisprosessiinne? - Esimerkkejä?

Vastaajien määrä: 3

| Vastaukset |
|---|
| Kaikki viestintä englanniksi, world wide shipping, kv-yhteistyöt markkinoinnissa |
| Ruotsiin oma [redacted].se- kauppa, erillään Suomen [redacted].fi- kaupasta. Yhteinen varasto konkreettisesti Suomessa ja verkkokauppojen välillä. Laajempi EU-kansainvälistyminen aloitettu, kohdennetulla kohdeyleisömarkkinoinnilla etsitty potentiaalisimmat markkina-alueet. Kuljetuskumppanit yksi olennaisimmista kysymyksistä. Maksuliikekumppanina Klama Checkout ja Paypal. |
| Merkittävät investoinnit sekä järjestelmiin että työhön. Investoimme moniverkkokauppajärjestelmään (ensimmäinen vaihe 180-240k€), jolla pystyttiin ottamaan useampi domain käyttöön. Kaikki tuotteet päivitetään nykyisin kolmelle kielelle (suomi, ruotsi, englanti) tämä päätös vaikuttaa sekä jokapäiväiseen työhön ja sen kustannuksiin että työntekijöiden osaamiseen kun rekrytoimme, verkkokaupassa chat palvelee kolmella kielellä. Kaikki prosessit pitää toimia eri markkina-alueilla, esim. maksuvaihtoehdot kuluttajille, logistiikka kumpanit ja jakelu vaihtoehdot / palautusvaihtoehdot, pakkaustavat, jotta tuotteet pysyvät ehjinä, markkinointi struktuuri (google tilit) ja ylläpito eri maihin, sosiaalisen median markkinointi, jne jne. Kaikki tämä on vaatinut pk yritykseltä jatkuvat panostukset monikavaisesti ja monimarkkinaisesti toimimiseen. |

Figure 14. Key decisions having an effect on internationalization process.

In the figure below (Figure 15), the companies were first requested to describe what do they consider as their competitive advantages. The most mentioned competitive advantage was the service that the companies provide to their customers, following

with a unique selection of products. In addition, the companies describe that a unique story, innovativeness, the material used in products, as well as their highly competent staff can be considered as competitive advantages. In the following question the companies were asked about the competitive advantages that they consider to separate them from their competitors. However, the replies were similar to the responses provided in the previous question.

17. What do you consider to be your competitive advantages?

Number of respondents: 2

| Responses |
|--|
| customer service and understanding the customer and market. |
| Reliable service. Fast service. Knowledge in our products. Customer service almost 24/7. |

17. Mitkä määrittelsitte kilpailueduiksenne?

Vastaajien määrä: 3

| Vastaukset |
|---|
| Tarina, materiaali, innovatiivisuus |
| Erottuva valikoima, oma tuotemerkki, useiden tuotemerkkien yksinoikeus, huipputason asiakaspalvelu, asiakaslähtöisyys, huippuosajat tiimissä. |
| Valikoima ja palvelumalli |

18. What is the advantage that separates your company from other e-commerce companies?

Number of respondents: 2

| Responses |
|--|
| We have been able to build everything needed to have a working infrastructure with pretty much no money. |
| Wider selection Own products |

18. Mikä on se kilpailuetu, joka erottaa teidän yrityksenne muista verkkokaupoista?

Vastaajien määrä: 3

| Vastaukset |
|---|
| Kts. ed vastaus |
| Oma tuotemerkki, asiakaslähtöisyys |
| Henkilökohtainen palvelumalli ja -valikoima, sekä tuotteisiin liittyvät premium tapahtumat. |

Figure 15. Competitive advantages of the companies.

The internal strengths of the companies were the subject of examination in question 19 (Figure 16). The companies considered their internal strengths being especially their highly competent staff and previous international expertise of entrepreneurs. The companies also present factors such as efficient and transparent communication, sharing of internal knowledge, varied language expertise, co-operation and having assumed the “working together for a common goal”-mindset. In addition, being able to review the mistakes made and to learn from them is considered an internal strength.

19. What do you consider as your internal strengths?

Number of respondents: 2

| Responses |
|--|
| I dont understand the question |
| Knowledge in a few languages. Personal contacs abroad. |

19. Mitkä ovat yrityksenne sisäiset vahvuudet?

Vastaajien määrä: 3

| Vastaukset |
|--|
| Henkilöstö |
| Avoin ja tehokas kommunikointi, tehokas ja monipuolinen tiimi, sisäisen osaamisen jakaminen, yhteiseen hiiileen puhaltaminen, virheistä oppiminen yhdessä. |
| Omistajien kansainvälisenkaupan tausta, ilman sitä ei kenties oltaisi edes mietitty kansainvälistymistä. |

Figure 16. The internal strengths of the companies.

The next question presented in the figure below (Figure 17) is partially connected with the previous question concerning the internal strengths of the companies. However, the objective regarding the question below was to discover what kind of resources the companies have assumed and what kind of effect the resources have had on the companies' internationalization processes. The replies between the companies differed, but resources such as entrepreneur's personal, as well as staff expertise were

raised, the significance of own product label, utilization of customer data and knowledge regarding the domestic market were emphasized. In addition, the assistance provided by different stakeholders in terms of logistics, payment service providers, marketing partners and investors, as well as vital e-commerce-related knowledge learned from training programs were considered as pivotal resources.

20. What kind of resources do you have at your disposal that have assisted you in your internationalization process?- Both intangible and tangible?

Number of respondents: 2

| Responses |
|--|
| I the owner [redacted] am able to learn anything in a short time, I am also able to analyze large amount of data and create a opinion. I will never be a expert in 1 thing, but i am a expert of everything :) e-commerce is very complicated and you need to wear like 10 hats to make it work with few people. If you would have 1 person for each job you would need to have millions in funding. |
| Translators, part time. Staff with an intererst in creating contacs |

20. Millaisia resursseja teillä on käytössänne, joilla on ollut kehittävä vaikutus kansainvälistymisprosessiinne? - sekä aineettomat että aineelliset?

Vastaajien määrä: 3

| Vastaukset |
|---|
| En osaa sanoa |
| Oma tuotemerkki [redacted], asiakasdata ja osaaminen kotimaan markkinalta, kumppanuudet ja sidosryhmät (kuljetus, maksuliikenne, markkinointi). |
| Finnvera, takaamassa kehitysprjekteja, Business Finland verkkokaupan valmennukset ja osarahoitus osamisen kehittämisessä. Omistajien syvälinen kansainvälinen työkokemus ja kielitaito. |

Figure 17. Resources assisting internationalization process.

In terms of different factors that have had an effect on which market areas the companies have decided to deliver their products, the companies provide both similar and diverse perspectives. As presented in the figure below (Figure 18), firstly the interest of the target areas for the product, which translates into demand, is essential. Factors to be considered are also the market, as well as competitive conditions, which

differ depending on the market area. The companies also raise factors relating to how solid the target group's members' financial standings are, as well as what kind of buying behavior the consumers in certain target areas indicate. In addition, depending on the target areas, the variety of delivery and payment alternatives, marketing opportunities and currency-related factors play a significant role in terms of deciding to which market areas the companies should direct their business.

21. What kind of factors affect the decision of which market areas you deliver your products/services to?

Number of respondents: 2

| Responses |
|---|
| numbers, nothing else can be a correct answer |
| we ship worldwide, even if EU is the easiest way. |

21. Mitkä tekijät vaikuttavat siihen, mille markkina-alueille toimitatte tuotteitanne/palveluitanne?

Vastaajien määrä: 3

| Vastaukset |
|---|
| Kohdemaan kiinnostus / tarve tuotteellemme |
| Toimitamme koko EU-alueelle ja Pohjoismaihin, UPS ja Posti. |
| Markkina- ja kilpailutilanne, kohderyhmän varallisuus, kohderyhmien käyttäytyminen eri maissa. jakelu ja maksuvaihtoehdot, jotka toimivat vain tietyissä maissa. Valuutta (eurot ja kruunut). Markkinointimahdollisuudet (Google) eri maissa. Kuinka moneen maahan on oikeasti resurssit itsellä. Monet asiat siis. |

Figure 18. Factors affecting decisions of which market areas to enter.

The second-to-last question, illustrated in the figure below (Figure 19), pursued to discover what kind of external factors have had an effect on the internationalization processes of the companies. One company emphasizes the significance of utilizing the external coding and service assistance of its e-commerce platform provider, while the

other highlights the behavior of its customers, as well as the financing possibilities gained from its investors. Other influential external factors that could be interpreted from the replies are choosing the suitable and productive market segment, as well as taking into consideration the suitable target market areas and currency-related factors.

22. What kind of external factors have affected your internationalization process?

Number of respondents: 2

| Responses |
|--|
| We choose the niche because the it was in the middle of the retail chain failing and it had very low digital effort done. When brick and mortars go out of business, we are on the internet as one of the first companies the person will find who wants to buy products and we are able to server any place in the world. Most shops just focus on 1 our 2 countries. |
| EU and EUR. |

22. Mitkä ulkoiset tekijät ovat vaikuttaneet kansainvälistymisprosessiinne?

Vastaajien määrä: 3

| Vastaukset |
|--|
| En osaa sanoa |
| Koodausosaaminen on ollut aina ulkoistettu. Verkkokaupamme palveluntarjoajan osaaminen ja kyky reagoida muutostarpeisiimme vaikuttaa suuresti kaupparamme ja liiketoimintamme kehitykseen. |
| Asiakkaiden käyttäytyminen ja rahoitusmahdollisuudet, joita Finnvera ja Business Finland tarjoaa. |

Figure 19. External factors affecting the internationalization process.

The last question introduced below (Figure 20) presents the companies' perspectives with respect to the factors that e-commerce companies should consider when pursuing for successful internationalization. First and foremost, an e-commerce company considering internationalization needs to have the motivation to internationalize, followed with a vision and expertise to develop a viable product, combined with a competitive price. Furthermore, investigating whether there is demand for the product is essential. A company should not hesitate going beyond geographical borders to new market areas or underestimate the significance of maintaining a customer-oriented approach and investing into excellent customer service. Factors such as developing a

web store that is viable and functional with respect to the international standards, as well as the importance of effortless delivery and return policies are emphasized. The analytical data received from the web store and about the customers, should be taken into careful consideration. The extensive utilization of different marketing channels, such as social media and Internet, is essential to gain the needed visibility. Companies should also verify the competence of their subcontractors and partners, and also have the flexibility and ability to develop and restructure functions and systems rapidly if needed. In addition, constant development of knowledge, competence and other resources is a vital factor when pursuing for international success and growth.

23. In your opinion, what are the factors that help e-commerce companies to succeed internationally?

Number of respondents: 2

| Responses |
|---|
| if you don't have a demand nailed down you will waste your time and money. The only way to find it is to have a great vision and then test the shit out of it to find the working combination. |
| Pure mental. Globalisation is here. No need to limit to a certain geographic area. You need to have a good product with a reasonable price. Add service and patience. As always the salt mine first, spa later. |

23. Mitkä ovat mielestänne ne tekijät, jotka auttavat verkkokauppoja menestymään kansainvälisillä markkinoilla?

Vastaajien määrä: 3

| Vastaukset |
|---|
| Analytiikan tulkinta, kansainvälisesti suunniteltu nettikauppa ja lähetysten sujuvuus, Some-markkinointi, näkyvyys mediassa |
| Joustavuus, kyky muuttua ja kehittyä nopeasti, asiakaslähtöisyys kohdemarkkinan vaatimusten mukaisesti, palvelun laatu. |
| Osaamisen kehittäminen, palvelujen saatavuus, alihankkijoiden osaaminen, resurssit, sekä rohkeus ja halu kansainvälistyä. |

Figure 20. Factors assisting international success.

6.2 Summary of the empirical research data

In the previous subchapter the results of the interviews were presented. The first five questions presented the background information with regards to the companies. The purpose of the questions was to provide the reader with the basic information in relation to the companies. However, as the fourth and fifth questions focused on the starting number of employees, as well as the current number, the objective in this regard was to measure growth as well. In addition to growth measured in terms of the number of employees, the next questions up to question 13 discussed the companies' most recent turnover, net income, as well as how the financial growth has developed in terms of international e-commerce. The remaining questions centred around the motives of the companies in terms of internationalization, competitive advantages, resources and other factors, thus formulating an overview of the factors that have had an effect on their success.

In terms of growth, the companies situate more or less in diverse positions. Most of the companies have functioned for more than six years, some have remained minor in terms of employee numbers, while few have decided to recruit more. In terms of financial performance, most of the companies do generate most or all of their sales through e-commerce, but when considering the share of international e-commerce in terms of turnover, the numbers differ. A few of the companies have succeeded fairly well with respect to financial growth in terms of international e-commerce sales, and while the rest may have lower sales, they are still developing promising growth as well. In terms of international e-commerce sales development, the companies reported that the sales have slowly increased throughout the years, mainly due to investments made to marketing and to the development of the companies' website systems and functions. With regards to net income and profits, the results were fairly similar. When considering the profits in terms of international e-commerce, a few of the companies have generated some, while the other companies have conducted further investments. The companies concur that the development and growth of international e-commerce profits have been enabled through investments channelled back into the companies.

In the literature review the major internationalization theories were examined and discussed in relation to whether any of them is applicable to explain the internationalization pursuits of e-commerce companies. The theories that explicitly discussed the phenomenon, or attempted at formulating a connection that could be explained through theoretical perspectives, were the born globals theory by Knight and Cavusgil (2004; Cavusgil & Knight, 2009) and the N-OLI paradigm by Singh and Kundu (2002). When reviewing the replies of the companies in terms of their internationalization processes and the timing of considering internationalizing in the first place, most of the companies pointed it out to have been evident immediately from the company's inception. In this sense, a connection was recognized when considering the born global theory. As discussed earlier in the literature review, Knight and Cavusgil (2004), as well as Cavusgil and Knight (2009) pointed out, that born globals are traditionally companies that have assumed the internationalization mindset from the beginning, and can in fact succeed in the e-commerce business environment.

When the empirical research results in terms of internationalization processes of the companies are put into perspective with respect to the N-OLI paradigm, certain connections and elements can be partially recognized. In the paradigm the network advantages (Singh & Kundu, 2002) were discussed, and in this regard, connections can be found in the interview replies, as some of the companies did emphasize the significance of partnerships and development of relationships with stakeholders in terms of creating additional value. In reference with the electronic-brokerage advantages (Singh & Kundu, 2002), the interview replies revealed certain similarities as the companies brought forth advantages such as flexibility to adapt to changing conditions, as well as the ability to adjust and develop different practices in order to provide more value to customers and stakeholders.

When considering the ownership advantages, which include the website-based, knowledge-based, innovation-based and intangible asset advantages (Singh & Kundu, 2002), certain connections can be identified in relation to the empirical data. The website-based advantages refer the company's ability to develop and personalize its

website by customizing the content (Singh & Kundu, 2002). In the replies personalization of website, story of the company and varied language options were mentioned. The knowledge-based advantages relate to how the company is able utilize the data received from the website (Singh & Kundu). In the interview replies the companies highly emphasized the significance of monitoring and analysing the data received through the website in terms of customer behaviour and preferences, and the utilization of it. In terms of innovation-based advantages, which are referred to when considering the competence and abilities of the entrepreneur as competitive advantages (Singh & Kundu, 2002), connections with regards to the interview replies were found as well. Some of the entrepreneurs considered their competences and resourcefulness as vital factors in terms of competitive advantage-development. Furthermore, usually being unique or inimitable in some way, the intangible asset advantages (Singh & Kundu, 2002), such as the company's brand, the expertise of employees, as well as the competence and experience of entrepreneurs were emphasized in the interview replies.

The challenge however lies when attempting to identify connecting elements or similarities between the empirical data results and the last two elements of the N-OLI paradigm; the location-based advantages and the internalization advantages. As discussed in the literature review, the location-based advantages are divided into three levels, which are the regional level, web-based level and digital level (Singh & Kundu, 2002). Connections in reference to the regional level or web-based level were not identified, but a thin connection was recognized with respect to the digital level. The digital level entails the web environment-based advantages, such as utilizing different networks and media-based elements within the internet (Singh & Kundu, 2002). In the interview replies some of the companies placed significance into utilizing social media, different websites, as well as other channels within the digital web environment to gain opportunities in terms of marketing. Lastly, with respect to the internalization advantages, there were not any elements within the interview replies to be identified and connected with.

When concerning the replies received from the conducted empirical research, the results can be considered encompassing and complementary with respect to the theoretical framework illustrating the success factors earlier in chapter 4. In the replies an extensive variety of different factors were discovered and the first were the motivational factors and reasons as to why the companies had decided to internationalize. Major motivational drivers or reasons were considered to be for instance the pursuit of additional growth and profits, saturation of the Finnish market, pressure caused by competitors, unsolicited inquiries of company's products and the will and motivation of the entrepreneur to internationalize. The internal and organizational factors that were considered, were for instance the competence and expertise of staff and entrepreneur, internal co-operation and communication, as well as being able to review own mistakes and learn from them. In terms of external factors that e-commerce companies should consider, first of all include whether there is demand for the company's products, development of relationships with partners, as well as marketing-related factors depending on the market area and segment. In addition, the development of the company's web store, affiliated support systems, as well as the utilization of analytical data received from the web store are considerable factors.

As the number of factors discovered from the empirical research was extensive, a joint illustrative figure including the factors found from the literature review was compiled. The success factors discovered from the theoretical research illustrated earlier in chapter 4 are revisited below on the left-hand side of the figure, and in comparison, the success factors found from the empirical research are depicted on the right-hand side. The compiled framework presenting the factors is found below (Figure 21).



Figure 21. Compiled framework of success factors discovered from the literature review and empirical research.

7 DISCUSSION AND CONCLUSIONS

The final chapter of this thesis provides a concluding discussion with respect to the study, as well as the main findings in terms of theoretical and empirical research. Furthermore, the reliability and validity with respect to the research, as well as the theoretical and practical implications are discussed. In addition, the limitations of the research and prospective possibilities for future research are contemplated.

7.1 Concluding summary of the research

The main purpose and research problem of the thesis was to examine the internationalization pursuits of Finnish e-commerce companies and the factors that have had an effect on their internationalization success. Therefore, with respect to discovering the solution for the main problem, three research questions were generated: the main research question M1, the first sub-research question S1 and the second sub-research question S2. The concluding discussions with respect to the research questions are reviewed by beginning with the second sub-research question. The purpose of the question was to discover how the Finnish e-commerce companies have succeeded in their internationalization pursuits with respect to their financial standings. The research data was acquired by inquiring after the figures with respect to the companies' financial performance and growth. Thus, the second sub-research question S2 was structured as following:

S2: How have the Finnish companies operating in the e-commerce retail sector succeeded in their internationalization pursuits?

When the empirical research results in terms of the companies' financial performance and growth are reflected and contrasted with respect to the second sub-research question, it can be concluded that the solution is not in fact simple or straightforward. Based on the replies, the five interviewed companies have succeeded moderately well, but in order to receive a more comprehensive overview of the internationalization

success of Finnish e-commerce companies, a more encompassing study, in which the number of the respondents would be greater, should be conducted.

The first sub-research question was structured with the purpose of discovering whether there are existing theories that would explain the internationalization pursuits of e-commerce companies from theoretical perspectives, and further on to be verified based on the empirical research results of the study. The first sub-research question S1 was therefore generated as following:

S1: What are the theories that could be plausible to explain the internationalization pursuits of e-commerce companies?

The theories that were studied were chosen as they are some of the most major theories associated with and utilized to explain the internationalization pursuits of companies. The chosen theories were the network approach (Johanson & Vahlne, 1990, 2003; Johanson & Mattsson, 1993), the resource-based view (Wernerfelt, 1984), the born globals theory (Knight and Cavusgil, 2004; Cavusgil & Knight, 2009), the OLI paradigm (Dunning, 2001) and the N-OLI paradigm (Singh & Kundu, 2002). However, with respect to theories that referred to the internationalization pursuits of e-commerce companies, the born globals theory and the N-OLI paradigm were found the most suitable. The theories were further reflected against the empirical findings of the research. With regards to the born globals theory, there were connections to be identified as most of the respondents considered that internationalization had been their intention since company's inception. With respect to the N-OLI paradigm, for the most part there were certain connections and similarities to be recognized from the empirical research findings. However, a fully complemented connection with the theory proved to be challenging to verify. A more functioning connection with the empirical research results could probably have been reached, if the number of respondents would have been greater.

Finally, as the main purpose of the thesis was to examine the internationalization pursuits of Finnish e-commerce companies and the factors that can be considered essential in terms of success, the main research question that was generated to provide the solution, was structured as following:

M1: What kind of factors an e-commerce company needs to consider in order to internationalize successfully?

With respect to providing plausible results for the main research question, factors considered to have an effect on both e-commerce companies', as well as traditional companies' internationalization success were first examined by researching subject-related theoretical literature and additional studies. The results of the theoretical literature research were compiled into a theoretical framework, which was illustrated in chapter 4. The purpose of the framework was to function as a theoretical baseline for the empirical research results of the study. After the analysis regarding the empirical interview data was concluded, the results were reflected against the findings discovered from the literature review. As a concluding outcome, the factors discovered from the empirical research were found to complement the factors that emerged from the literature review rather well. Furthermore, numerous additional success factors that were not present in the theoretical framework, were discovered from the empirical research.

7.2 Reliability and validity of the research

In terms of reliability, the concept refers to the reproducibility of the research and to its ability to provide consistent results (Hirsjärvi et al., 2004, p. 216). The reliability of the research was pursued to be verified accordingly by carefully selecting the sources and research data with respect to the literature review, as well as the respondents that were interviewed for the empirical research data. In terms of success factors discovered from the empirical research and literature review, the results that

were found supported each other comprehensively, and can therefore be considered consistent and reliable, as well as generalizable.

With respect to the theories confirming the internationalization pursuits of e-commerce companies, and their consistency with regards to the empirical research results, the outcome was partly consistent. In addition, when considering the interview results with regards to the companies' financial performance and growth, the generalization and consistency of the results may not be exclusively applicable, as the factors and reasons affecting the financial standings of each company are varied.

The validity of a research or research method stands for the ability to measure precisely what was intended to be measured in the first place. (Hirsjärvi et al., 2004, pp. 216–217.) When considering the overall research, validity can be mostly verified. The qualitative approach to the research overall was concordant throughout the study. The prerequisites which determined which companies were chosen to be interviewed provided the means to verify that the findings in terms of the research questions would be valid. In addition, validity was taken into consideration with respect to the structuring of the interview form, as well as the interview questions as they guided the respondents to reply coherently, while also allowing them to elaborate in their responses. The utilization of the abductive research analysis method was found suitable for the research as the intent was not to create new theories, but to analyse how the empirical research findings would complement the findings of the literature review.

7.3 Theoretical and practical implications

As previous scientific research has not been conducted with respect to the internationalization of Finnish e-commerce companies and the factors affecting the success, the results of the study can be seen as theoretically contributing. The extensive result in terms of discovering the factors affecting the internationalization success of Finnish e-commerce companies can be considered both theoretically and

practically contributing, as the results can be seen as useful and beneficial to other Finnish companies considering internationalizing their e-commerce businesses. The framework at the end of chapter 6, consisting of the success factors that were compiled, can be a valuable tool to utilize for the already active Finnish e-commerce companies, as well as for the entrepreneurs who are still considering establishing an e-commerce company. Also, even though the empirical findings were only partly consistent and complementary with the internationalization theories examined in the literature review, the research results can be considered as beneficial to the Finnish e-commerce companies considering internationalization, as the research provides a viable baseline to understand internationalization from theoretical perspectives. Similarly, albeit being dissenting, the empirical findings in terms of financial standings between the interviewed companies, can provide valuable and comparable financial information to Finnish e-commerce companies that are still in the process of internationalizing their business activities.

7.4 Limitations of the study and future research considerations

In terms of the overall research, certain limitations can be identified. With respect to the empirical research, certain open-ended interview questions were evidently poorly structured or lacked appropriate explanations. A few of the respondents were not able to provide replies that were desired to be received, as they wrote that they do not know how to answer the question. In addition, the scarce number of respondents can be considered as a limitation. This was recognized especially when the analysis with regards to how the empirical research results complemented the internationalization theories was conducted, and how the interview replies with respect to the companies' financial performance and growth figures corresponded with the research question. Therefore, when considering the research results with respect to the first and second sub-research questions, the contribution to the overall thesis was left slightly scarce. Thus, in terms of future research considerations, further studies where a more encompassing coverage with regards to the number of respondents could be achieved, would be favourable to conduct.

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Appendix 1.

The interview form in Finnish

**Suomalaisten verkkokauppojen kansainvälistyminen:
menestystekijät**

Taustatietoa

1. Mitä yrityksenne tarjoaa? *

- ☐ Tuotteita/hyödykkeitä
- ☐ Palveluja
- ☐ Ratkaisuja
- ☐ Muuta, mitä?

2. Mikä on kohdemarkkinanne?

- ☐ Massamarkkinat
- ☐ Niche-markkina
- ☐ Muu, mikä?

3. Kuinka kauan yrityksenne on ollut toiminnassa? *

- ☐ 1-2 vuotta
- ☐ 2-4 vuotta
- ☐ 4-6 vuotta
- ☐ 6 vuotta tai pidempään

4. Mikä oli työntekijöidenne lukumäärä kun yrityksenne perustettiin? *

- ☐ 1 työntekijä
- ☐ 2 työntekijää
- ☐ 3-5 työntekijää
- ☐ 5 työntekijää tai enemmän

5. Mikä on henkilöstönne nykyinen lukumäärä? *

- ☐ 1-5 työntekijää
- ☐ 5-10 työntekijää
- ☐ 10-20 työntekijää
- ☐ 20-40 työntekijää
- ☐ 40 työntekijää tai enemmän

Taloudellinen informaatio

6. Mikä on yrityksenne viimeksi päättyneen tilikauden liikevaihto? *

- ☐ 0 - 100 000 €
- ☐ 100 000 - 500 000 €
- ☐ 500 000 - 1 000 000 €
- ☐ 1 000 000 - 5 000 000 €
- ☐ 5 000 000 - 10 000 000 €
- ☐ 10 000 000 € tai enemmän

7. Mikä on verkkokauppamyynnin osuus viimeksi päättyneen tilikauden liikevaihdosta? *

- ☐ 1-5 %
- ☐ 5-10 %
- ☐ 10-20 %
- ☐ 20-40 %
- ☐ 40-60 %
- ☐ 60-100 %

8. Mikä on yrityksenne ulkomaille suuntautuvan verkkokauppamyynnin osuus liikevaihdosta? *

- ☐ 1-5 %
- ☐ 5-10 %
- ☐ 10-20 %
- ☐ 20-40 %
- ☐ 40-60 %
- ☐ 60-100 %

9. Miten yrityksenne ulkomaille suuntautuneen verkkokauppamyynnin osuus on kehittynyt yrityksen perustamisesta lähtien? *

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10. Mikä on yrityksenne viimeksi päättyneen tilikauden tulos? *

- ☐ Negatiivinen tulos
- ☐ 10 000 - 50 000 €
- ☐ 50 000 - 100 000 €
- ☐ 100 000 - 300 000 €
- ☐ 300 000 - 600 000 €
- ☐ 600 000 - 1 000 000 €
- ☐ 1 000 000 € tai enemmän

11. Mikä on verkkokauppamyynnin tuottojen osuus viimeksi päättyneen tilikauden tuloksesta? *

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12. Mikä on yrityksenne ulkomaille suuntautuneen verkkokauppamyynnin tuottojen osuus viimeksi päättyneen tilikauden tuloksesta? *

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13. Miten yrityksenne ulkomaille suuntautuneen verkkokauppamyynnin tuoton osuus tilikauden tuloksesta on kehittynyt yrityksen perustamisesta lähtien? *

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Kansainvälistymisprosessinne

14. Milloin päätitte, että haluatte kansainvälistyä? *

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15. Mitkä syyt tai motiivit vaikuttivat päätökseenne kansainvälistyä? *

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16. Minkälaisia merkittäviä päätöksiä olette tehneet, joilla on ollut vaikutus kansainvälistymisprosessiinne?

- Esimerkkejä? *

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Kasvun ja menestyksen määrittävät tekijät

17. Mitkä määrittäisitte kilpailueduiksenne? *

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18. Mikä on se kilpailuetu, joka erottaa teidän yrityksenne muista verkkokaupoista? *

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19. Mitkä ovat yrityksenne sisäiset vahvuudet? *

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**20. Millaisia resursseja teillä on käytössänne, joilla on ollut kehittävä vaikutus kansainvälistymisprosessiinne?
- sekä aineettomat että aineelliset? ***

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21. Mitkä tekijät vaikuttavat siihen, mille markkina-alueille toimitatte tuotteitanne/palveluitanne? *

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22. Mitkä ulkoiset tekijät ovat vaikuttaneet kansainvälistymisprosessiinne? *

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23. Mitkä ovat mielestänne ne tekijät, jotka auttavat verkkokauppoja menestymään kansainvälisillä markkinoilla?

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Appendix 2.

The interview form in English

**The Internationalization of Finnish e-commerce companies:
Factors affecting success**

Background information

1. What does your company provide? *

- ☐ Products/goods
☐ Services
☐ Solutions
☐ Other

2. What is your target market?

- ☐ Mass market
☐ Niche
☐ Other

3. How long has your company been operational? *

- ☐ 1-2 years
☐ 2-4 years
☐ 4-6 years
☐ 6 or more years

4. What was the number of employees when your company was founded? *

- ☐ 1 employee
☐ 2 employees
☐ 3-5 employees
☐ 5 or more employees

5. What is the current number of employees in your company? *

- ☐ 1-5 employees
☐ 5-10 employees
☐ 10-20 employees
☐ 20-40 employees
☐ 40 or more employees

Financial information

6. What is the most recent turnover of your company? *

- ☐ 0 - 100 000 €
☐ 100 000 - 500 000 €
☐ 500 000 - 1 000 000 €
☐ 1 000 000 - 5 000 000 €
☐ 5 000 000 - 10 000 000 €
☐ 10 000 000 € or more

7. What is the share of e-commerce sales of your company's most recent turnover?

- ☐ 1-5 %
☐ 5-10 %
☐ 10-20 %
☐ 20-40 %
☐ 40-60 %
☐ 60-100 %

8. What is the share of international e-commerce sales of your company's most recent turnover? *

- ☐ 1-5 %
☐ 5-10 %
☐ 10-20 %
☐ 20-40 %
☐ 40-60 %
☐ 60-100 %

9. How has the share of international e-commerce sales of your company's turnover developed since company's inception?

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10. What is your company's most recent net income (profit or loss)? *

- ☐ Negative
☐ 10 000 - 50 000 €
☐ 50 000 - 100 000 €
☐ 100 000 - 300 000 €
☐ 300 000 - 600 000 €
☐ 600 000 - 1 000 000 €
☐ 1 000 000 € or more

11. What is the share of e-commerce revenue of your company's most recent net income?

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12. What is the share of international e-commerce revenue of your company's most recent net income? *

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13. How has the share of international e-commerce revenue of your company's net income developed since company's inception? *

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Internationalization process

14. When did you decide that you want to internationalize? *

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15. What kind of reasons or motives affected your decision to internationalize? *

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16. - What kind of key decisions have you made that have contributed to your internationalization process?

- Could you elaborate with some examples? *

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Determinants of growth and success

17. What do you consider to be your competitive advantages? *

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18. What is the advantage that separates your company from other e-commerce companies? *

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19. What do you consider as your internal strengths? *

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20. What kind of resources do you have at your disposal that have assisted you in your internationalization process?

- Both intangible and tangible? *

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21. What kind of factors affect the decision of which market areas you deliver your products/services to? *

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22. What kind of external factors have affected your internationalization process? *

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23. In your opinion, what are the factors that help e-commerce companies to succeed internationally?

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Appendix 3.**The e-mail sent to the companies.**

Hyvä vastaanottaja,

Opiskelen Oulun kauppakorkeakoulussa kansainvälisen liiketoiminnan johtamisen koulutusohjelmassa. Paraikaa työskentelen pro gradu-tutkielmani parissa, jonka aiheena on "The Internationalization of Finnish e-commerce companies: Factors affecting success".

Tavoitteenani on haastatella suomalaisten verkkokauppojen avainhenkilöitä, jotka ovat suuntautuneet kansainvälisille markkinoille verkkokauppansa kanssa. Pyrin selvittämään tekijöitä, jotka ovat vaikuttaneet verkkokauppojen kansainvälistymisprosessiin ja menestykseen.

Toiveissani olisi, mikäli yrityksen avainhenkilöasemassa oleva voisi vastata haastattelukysymyksiini tutkielmaani liittyen. Haastattelu toteutetaan Webropol-kyselynä, ja kyselyyn vastaaminen vie n. 15 minuuttia.

Vastaukset käsitellään täysin luottamuksellisesti ja niitä ei luovuteta kolmansille osapuolille. Vastaajia tai heidän yrityksiään ei voida tunnistaa vastausten perusteella.

Mielelläni toivoisin saavani vastaukset 8.4.2020 mennessä.

Kysely suomeksi: <https://link.webpolsurveys.com/S/7CB07C5F5432A2F2>

Kysely englanniksi: <https://link.webpolsurveys.com/S/B1652B82BC081582>

Vastaathan vain jompaankumpaan kyselyyn, kiitos.

Parhain terveisin ja kiitoksin

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